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HIGHLIGHTS

1988 Ontario Budget

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Treasurer of Ontario and
Minister of Economics

Enquiries

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The 1988 Ontario Budget presents a plan of action to meet the requirements of today while investing in opportunities for Ontario's future. The Budget strengthens Ontario's competitive position through support for manufacturing investment and for research and development. It funds the Government's priorities for quality health care, excellence in education, more affordable housing and economic assistance for those in need. Planned net cash requirements are reduced to $473 million, the lowest level in 19 years. The Budget ensures that we have the revenues to pay for today's services and for tomorrow's priority community needs.

Economic Outlook

Economic expansion in Ontario is expected to continue in 1988 with real growth forecast at 3.7 per cent. This growth will be more broadly based than in the recent past, benefitting all parts of the province. Spending on business plant and equipment should reach $28 billion in 1988. This year employment is expected to increase at a record pace of 180,000 jobs. Inflation will moderate from 5.1 per cent in 1987 to 4.7 per cent this year.

Ontario's Priority Investments

To ensure that economic growth continues, the Government is building in the public sector and investing in the private sector to keep Ontario competitive.

Manufacturing Investment Incentive

The Budget introduces a new manufacturing investment program that will provide a deduction equal to an additional 15 per cent of the cost of new machinery and equipment. At maturity, this

$120 million measure will support $6 billion of investment in Ontario annually.

Technology Initiatives

The Budget will stimulate industrial research and development.

A new $45 million Research and Development Super Allowance will provide an extra 25 per cent deduction for large firms and 35 per cent for small businesses for spending on R&D in Ontario. For qualifying incremental R&D expenditures, the Super Allowance will increase this deduction by 50 per cent.

The Budget provides $38 million for a five-year Technology Personnel Program to help small firms hire up to 1,000 new technical staff.

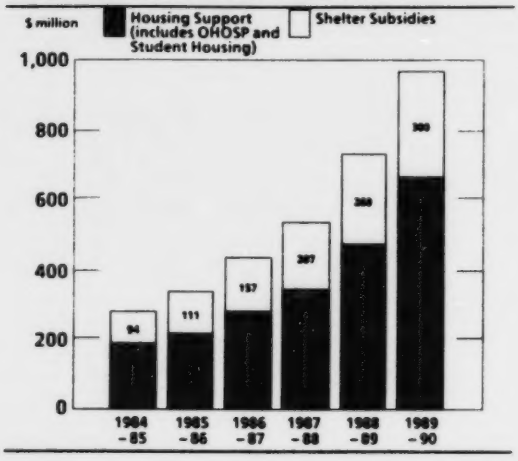
Over the next five years, the new Strategic Procurement Program will provide up to $25 million to qualified firms to develop products that the Province and its agencies will need to purchase in the years to come.

Housing

Ontario needs more affordable housing. The magnitude of the challenge to meet this need exceeds the capacity of any one level of government. This Budget commits substantial financial support to help meet affordable housing needs.

- $2 billion in CPP funds will be made available to the non-profit housing sector in the form of lower cost financing. This will add an estimated 30,000 non-profit rental units to the existing stock through construction, purchase or lease. The Government will provide $210 million annually in support of these units, up to 70 per cent of which will be available on a rent-geared-to-income basis. In addition, $100 million will be provided for renovations of leased units.

Provincial Housing Support and Shelter Subsidies, 1984-85 to 1989-90



- An additional $20 million annually is allocated to improve shelter subsidies for 32,000 social assistance recipients.
- The Housing Development Fund will channel revenues from land sales to fund affordable housing initiatives. It is anticipated that $150 million in revenue will be generated over the next five years.
- Subsidies will be provided to construct 5,000 university residence spaces. Universities will also be able to apply for up to $100 million from CPP funds to obtain lower cost capital financing for these units.
- The Ontario Home Ownership Savings Plan will provide an annual tax credit of up to $1,000 per year for families, depending on

household income. It is offered to prospective home buyers on contributions of up to $4,000 a year or as much as $20,000 over a five-year period. Benefits are expected to reach $50 million a year and to assist 150,000 families and individuals.

Elementary and Secondary Education

The Government's priorities for education are to provide new schools for rapidly growing communities and to improve the quality of education, particularly in the early grades.

The Budget announces a $900 million, three-year capital commitment that will support an estimated $1.3 billion in elementary and secondary school construction.

The Budget also provides $430 million over three years to reduce class size in grades 1 and 2, to provide additional textbooks and other learning materials, and to improve the availability and teaching of computer technology to students.

Post-Secondary Education

The Budget provides $38 million in grants to universities to honour the Government's commitment to accessibility. For 1989-90, this amount will more than double to $88 million.

The Budget announces a $440 million, four-year commitment, to address the urgent capital project needs of our post-secondary institutions. This commitment will include $40 million to help universities acquire classroom space to meet pressures resulting from short-term enrolment increases.

Health Care

The Ministry of Health will spend $12.7 billion on health care this year, an increase of $1.2 billion from 1987-88. This total is greater than the yield from Ontario's personal income taxes and represents $1,350 for every Ontario resident.

Roads, Highways and Transit

Capital funding for the Ministries of Transportation and Northern Development and Mines has been increased by $100 million from 1987-88, for the expansion and rehabilitation of major roads and highways. To fund these essential improvements and support future growth, the Budget increases the tax on gasoline by 1 cent per litre.

The 1988-89 allocation for GO Transit contains an increase of $33 million for improvements and expansion of rail service in selected areas.

Northern and Eastern Ontario

The Northern Heritage Fund begins operation this year to help promote long-term economic growth and diversification of the North. The Government will provide $30 million to the Fund annually over the next 12 years.

The Northern Relocation project has been accelerated. A total of 1,600 jobs with an annual payroll of $48 million will be relocated to four northern communities. To provide office accommodation, $200 million will be spent on the construction of new buildings over the next three years.

Eastern Ontario as a whole is benefitting from considerable growth in the service sector, a high level of construction activity and a growing interest in that part of Ontario as a location for

investment. This year, construction will likely start on a new state-of-the-art tire plant in Napanee.

Agriculture

Provincial spending on agriculture will reach $567 million, an increase of 86 per cent since 1984-85.

In 1988-89, a new $15 million allocation will permit introduction of tripartite stabilization programs for a number of commodities currently covered by separate provincial and federal programs.

Province of Ontario Savings Office

As a service to small investors, the Province of Ontario Savings Office (POSO) will introduce a new Ontario Guaranteed Investment Certificate. As well, the Government will provide POSO service in certain northern communities.

Other Priority Programs

This year, $300 million, or an additional 68 per cent, is being provided for child care programs, including direct operating grants to child care centres. Child care facilities will be provided in all new and expanded schools.

Spending on the environment has increased by 51 per cent since 1984-85. To reinforce the Government's commitment to environmental protection, a special levy of 3 cents per litre on leaded gasoline is introduced.

Ontario Tax Assistance Programs

The Budget enriches and restructures tax assistance benefits to low-income Ontarians.

- New Property and Sales Tax Credit programs will deliver $444 million in tax credit benefits to over 1.8 million low-income Ontarians.
- Sales tax credits are set at $100 per adult and $50 per child, more than doubling the total benefits under this program for low-income households.
- The new $40 million Ontario tax reduction program will eliminate Provincial income tax for 350,000 low-income taxfilers.
- The OHIP premium assistance program will be enriched and, as a result, an additional 30,000 individuals will no longer pay premiums in 1989.

Federal-Provincial Relations

Federal limitations on the growth of transfers for health and post-secondary education will cost Ontario almost $1 billion in 1988-89. The Ontario Government has increased expenditures to ensure that the quality and accessibility of these services are not adversely affected.

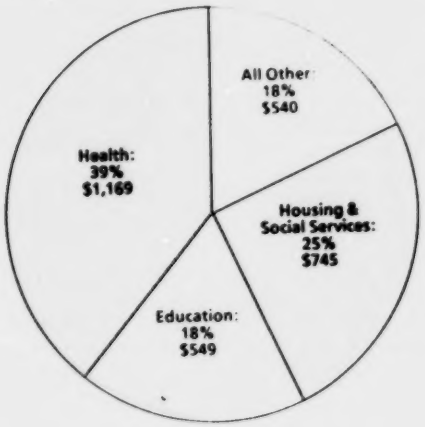
Federal reform has lowered the yield from Ontario's personal income tax by $510 million this fiscal year. In response, the Budget adjusts the personal income tax rate by one percentage point this year and another percentage point in 1989, and raises the surtax to 10 per cent for individuals with incomes in excess of $85,000. In total, Ontario's taxpayers will benefit by $238 million in reduced Provincial income tax this fiscal year.

Ontario will parallel most federal corporate tax reform base changes, and take further steps to align the federal and Provincial corporate tax systems.

Ontario's Expenditure and Revenue Needs

This year's spending will be $37.9 billion. More than 80 per cent of the increase in spending in 1988-89 is dedicated to health care, education, housing and social services. The Budget includes spending controls and necessary revenue measures to maintain the Government's commitment to these priority programs in a fiscally responsible manner.

Distribution of New Spending, 1988-89 ($ million and per cent share)



Spending Control

The Budget contains expenditure savings and constraints of $500 million. The increase in planned spending is again below the rate of economic growth.

Revenue Measures

In addition to spending controls, revenue measures are needed to maintain a steady and responsible fiscal course.

- The general retail sales tax rate will increase to 8 per cent, effective May 2, 1988. Sales tax credit benefits to low-income Ontarians will be more than doubled.
- The tobacco tax is increased by 1 cent per cigarette and by 0.6 cents per gram of cut tobacco, effective April 21, 1988.
- Levies are increased on spirits, wine and beer, effective May 24, 1988.
- The criteria for the low, flat capital tax rates will be expanded, including the elimination of tax for firms with gross revenue and assets both under $1 million.

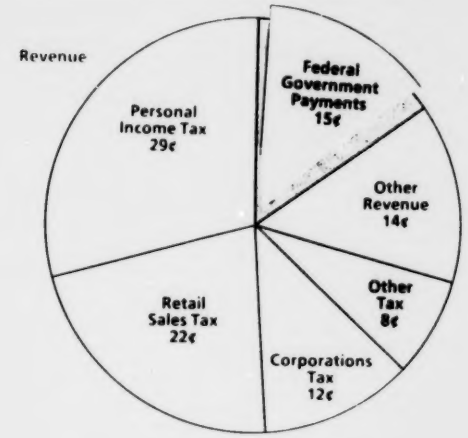
The 1988-89 Fiscal Plan

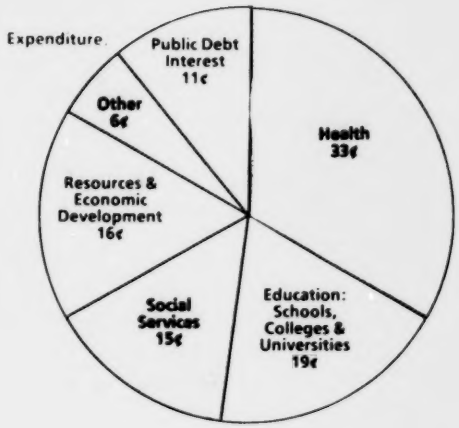
The fiscal plan projects net cash requirements for 1988-89 at $473 million, a reduction of $720 million from last year, and the lowest level in 19 years.

Conclusion

This Budget invests in the public and private sectors to keep Ontario dynamic, compassionate and competitive. It responds to legitimate community needs. It responds to federal tax reform by ensuring fair and equitable treatment. The Budget sets a clear plan for this year and a challenging direction for the future.

The Budgetary Dollar: 1988-89





1988 Ontario Budget

Presented to the Members of
the Legislative Assembly of Ontario by
Robert F. Nixon
Treasurer of Ontario and Minister of Economics
April 20, 1988

General enquiries regarding policy in the *Ontario Budget 1988* should be directed to:

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Enquiries regarding specific measures in the *Ontario Budget 1988* should be directed to the addresses given in Budget Paper A to the Budget Statement.

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1988
Ontario Budget

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1988 Budget Statement

I am pleased to report that Ontario's economy continues its strong performance. In building on that strength, this Budget presents a plan of action to meet the requirements of today while investing in opportunities for Ontario's future.

Under the leadership of Premier David Peterson, the Government has invested $7 billion in capital projects over the past three years -- investments which have only begun to redress the backlog of needed public capital facilities. We are proud of our record of accomplishment in addressing these and many other legitimate community needs.

The growth of private sector employment and wealth owes much to this kind of public support. Major investments in our community schools, hospitals, colleges, universities and highways have fostered record levels of new business expansion and modernization. With all this investment activity and a growing population, Ontario is taking its place on the world stage. We should be justly proud of this dynamic province.

This Budget strengthens Ontario's competitive position through support for manufacturing investment and for research and development. In addition, it clearly outlines and supports the Government's priorities for quality health care, excellence in education, more affordable housing and economic assistance for those in need. We are building in the public sector and we are investing in the private sector to keep Ontario competitive.

Ontario's planned net cash requirements are reduced to $473 million, the lowest level in 19 years. The Budget plan holds the increase in spending within the growth of the economy, ensures that we have the revenues to pay the bills for today's services and provides the fiscal flexibility for Ontario to meet its priority social, economic and community needs for tomorrow.

The Ontario Economy

1987 Performance and 1988 Outlook

The Ontario economy posted another year of very strong economic growth in 1987. Real output increased by 4.2 per cent, with substantial advances in consumer and business spending. The housing sector showed exceptional strength with 105,000 housing starts, the highest level since 1973.

More than 150,000 jobs were created last year, lowering the annual unemployment rate by almost a full percentage point to 6.1 per cent. It has steadily continued to improve. In March, the unemployment rate was 4.9 per cent.

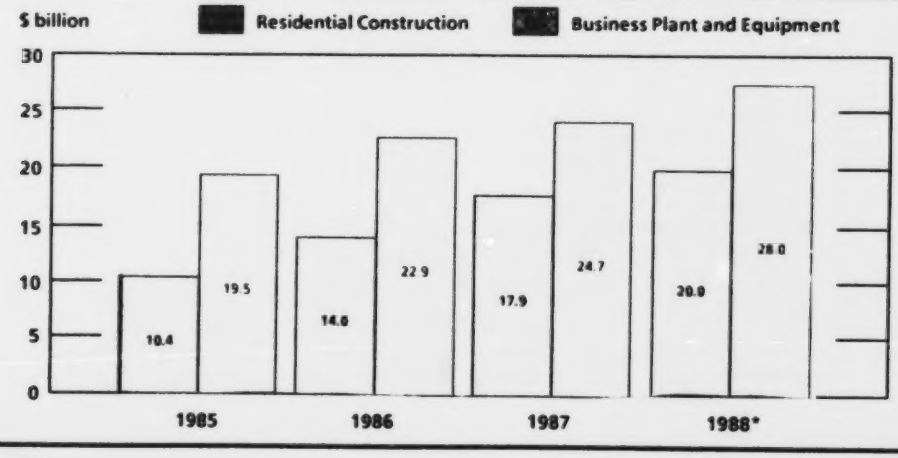
Over the past three years, the Ontario economy has expanded by more than 16 per cent and created 463,000 jobs. Our economy is now in its sixth consecutive year of growth and, in recent years, has outpaced the economies of each of the Group of Seven industrialized countries.

The underlying momentum in the economy remains strong. Treasury staff estimate that in real terms the Ontario economy will expand at a rate of 3.7 per cent in 1988. This expansion will be more broadly based than in the recent past, benefitting all regions of the province.

Housing and consumer spending will continue to rise this year. Spending on new housing and renovation will reach $20 billion in 1988. Consumer spending on durables and home furnishings will continue to be a significant source of economic strength, partly as a result of the strong housing sector.

The economy has experienced very rapid increases in capital spending over the past three years. Investment spending is expected to continue at a strong pace in 1988. Spending on business plant and equipment should reach $28 billion this year.

Ontario Investment
1985 to 1988



* Forecast

Major investments in the automotive industry, such as General Motors' investment of over $3 billion at its Autoplex facility in Oshawa, have introduced advanced production technologies and state-of-the-art facilities. As well, new capacity, such as Chrysler's plant in Bramalea and Toyota's plant in Cambridge, will be contributing to output this year.

Ontario's export performance is expected to strengthen in 1988. Sustained economic growth in other provinces and in the United States will result in increased Ontario sales to these jurisdictions.

Employment is expected to increase at a record pace this year, with the creation of an estimated 180,000 jobs. This record level of job creation will lower the Ontario unemployment rate to an average of 5.1 per cent in 1988, down a full percentage point from 6.1 per cent in 1987.

Ontario's inflation rate is expected to decelerate from 5.1 per cent in 1987 to 4.7 per cent in 1988. Further details on Ontario's economic outlook are provided in Budget Paper B.

Impact on Ontario's Population

An important effect of Ontario's strong economy has been an upsurge in international and interprovincial migration to Ontario. Over the past three years, net migration to Ontario totalled 236,000. In 1987 alone, net migration to Ontario was 110,000, or the equivalent of a city the size of Thunder Bay or the whole of Brant County including the city of Brantford.

Ontario's population growth is also highly concentrated. During the past three years, population growth in the four regions surrounding Metropolitan Toronto has been the equivalent of one-quarter of Canada's total population growth.

At the same time we are witnessing major changes in our social structure, with large increases in the number of one-parent families, and the number of people over 75 years of age, many of whom require special services. As well, the school-age population is increasing again.

As a result of all these factors, governments have to cope with powerful pressures on health care, education, housing and social services.

Ontario's Priority Investments

Ontario's economic outlook for 1988 is favourable. However, to ensure the longer term strength of Ontario's economy, we must continue to invest in our competitive position.

Governments have a primary role in maintaining and improving the social infrastructure. Economic expansion cannot and will not take place unless governments continue to undertake the investments necessary to support economic development.

Within a rapidly expanding global market, Ontario has held a strong competitive edge. Our competitiveness is based on a range of important advantages as an investment location. We have a highly educated and skilled labour force. Our cost structures are competitive. Ontario is close to large markets, has a good transportation network and possesses a wealth of natural resources. Ontario's publicly-funded health care, education and social services are unparalleled.

Despite these advantages, research conducted for the Premier's Council on Technology suggests that there remain underlying structural elements of our economy which require attention. There continues to be a large productivity gap between Canada and other major industrialized countries. Part of the reason is a slower rate of technological innovation and commercialization of new, higher value-added products. As well, we need to increase shop-floor efficiency by encouraging the introduction of new production technologies in many of our smaller manufacturing operations. Even though Ontario raises a fair share of taxes from the business sector, we must maintain a competitive tax environment to encourage the establishment of new manufacturing activities in Ontario. This is especially important given the increasing integration of the world economy.

The Government is opposed to the Canada-U.S. trade deal. Whether or not further trade liberalization occurs, bilaterally or through the General Agreement on Tariffs and Trade, technological change and the increasing globalization of industry will involve difficult adjustments for Ontario industry and its employees. We expect the federal government to play a key role in providing special assistance to those who will be dislocated by these forces of change.

Manufacturing Investment Incentive

I remain concerned that certain aspects of federal corporate tax reform will discourage corporations from undertaking new investment in Canada. The longer time frames for depreciating the cost of manufacturing machinery and equipment will have an adverse effect on investments in new technology. Action is needed to ensure that Ontario's investment climate remains attractive to potential investors.

Today I am introducing a manufacturing investment program that will allow Ontario firms to deduct from income an additional 15 per cent of the cost of new manufacturing machinery and equipment. At maturity, this $120 million measure will support an annual investment of $6 billion by Ontario businesses. It will be phased in over two years, starting with investments undertaken after January 1, 1989.

Technology Initiatives

Ontario has called for a national strategy on research and development. Consistent with that call and on the advice of the Premier's Council on Technology, the Province has established seven Centres of Excellence to conduct advanced research and to stimulate industrial research and development. These centres are part of the Government's $1 billion commitment under the Technology Fund. To date, $275 million has been committed to programs and specific projects to be undertaken by business, universities, colleges and labour.

The Premier's Council recommended a stimulus to investment in industrial research and development (R&D). I am introducing a new Research and Development Super Allowance, which will provide an extra 25 per cent deduction for large firms and 35 per cent for small businesses for R&D expenditures. For qualifying incremental R&D expenditures, the Super Allowance will increase this deduction by 50 per cent. On the basis of $1.8 billion in R&D investment annually, this new allowance will be worth $45 million. It reinforces our existing support of R&D investment and, combined with the manufacturing investment measure, provides a powerful incentive to innovation and productivity improvement in Ontario.

The Premier's Council has recommended that the Province assist smaller manufacturing firms to hire staff who can take the best advantage of advanced technology and put it to work in our factories. I am allocating $38 million from the Technology Fund for a five-year Technology Personnel Program. This program will help smaller firms hire up to 1,000 new engineering and technical staff for Ontario industry.

The increasing pace of technological change and development requires a well-trained workforce to exploit fully emerging opportunities in the technology field. This Budget provides $4 million to the Ministry of Skills Development for the new Technicians and Technologists Skills Updating Program. This program will offer training and skills updating for individuals in rapidly changing work environments.

The Council has also recommended that the Government use its own buying power to help strengthen high-technology companies. A Strategic Procurement Program will be established to award research contracts to companies with the potential to become competitive suppliers of selected goods that the Province and its agencies will need to purchase in the years to come. The Technology Fund will provide $25 million over the next five years for this purpose.

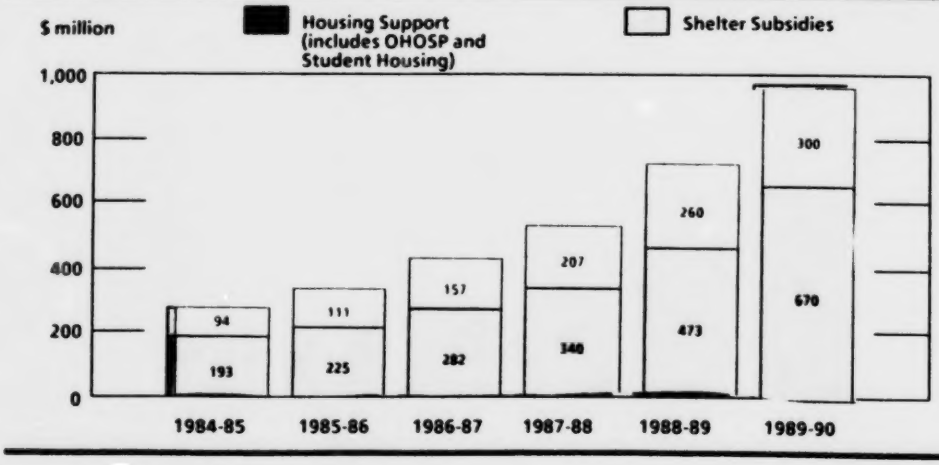
With these initiatives, the Province is taking essential steps to keep Ontario competitive in the world market-place over the longer term.

Housing

Ontario needs more affordable housing. The magnitude of the challenge we face is formidable and exceeds the capacity of any one level of government. The Province has greatly increased its efforts and is making major commitments for the future. However, the federal government, municipalities and the private sector must do their part in meeting affordable housing needs.

Since 1984-85, the Government has dramatically increased the level of funding for housing in the province. Including Ministry of Housing programs, shelter subsidies, property tax credits and grants and the new initiatives I will announce in this Budget, support for housing will exceed $1.4 billion in 1988-89, an increase of 77 per cent over the amount in 1984-85. Last year alone, rent-geared-to-income assistance was provided to some 130,000 households, while a further 155,000 social assistance recipients received shelter subsidies.

Provincial Housing Support and Shelter Subsidies
1984-85 to 1989-90



Non-Profit Housing

Creative approaches are needed to supplement the traditional methods of enhancing the supply of more affordable housing. Many non-profit organizations have shown a willingness to help create lower cost housing. To assist them in securing access to financing, we will direct part of the Province's share of available Canada Pension Plan (CPP) funds to low-cost mortgage financing. This will assist non-profit organizations in creating more affordable housing for low-to-moderate income earners.

Through this initiative, the Government will make available $2 billion to the non-profit sector in the form of lower cost financing. We expect that, over the next three to five years, this initiative will add 30,000 non-profit rental units to the existing stock through construction, purchase or lease. In addition, $210 million will be provided annually to support the operation of these units, up to 70 per cent of which will be available on a rent-geared-to-income basis. A further $100 million in capital will be provided during this period to support the renovation of leased units.

Fairer Shelter Subsidies for Social Assistance Recipients

The Government attaches a high priority to helping the less-advantaged members of our society meet the high costs of housing. We have already taken a number of measures to improve social assistance provisions for shelter.

In this Budget, a further $20 million has been allocated to allow utility costs paid separately from rent to be incorporated in the calculation of shelter subsidies. This measure, which becomes effective September 1, 1988, is designed to make the system more equitable and fair. It will increase shelter allowances by an average of $50 per month for up to 32,000 recipients.

Housing Development Fund

The Government's Housing First policy encourages the construction of affordable housing on surplus Provincial lands. Some surplus lands are unsuitable for this purpose. Therefore, we have established a Housing Development Fund through which revenues from sales of such land will be made available to fund other affordable housing initiatives. It is expected that $150 million will be realized from such land sales over the next five years. Future budgets will report on the annual status of the Fund.

Student Housing

The Budget funds the Government's commitment for subsidies to universities to construct 5,000 new student residence spaces. Universities will also be eligible to apply for $100 million in CPP funds to obtain lower cost capital financing for these units.

Ontario Home Ownership Savings Plan

To assist low- and moderate-income people in saving for their first home, the Government is introducing the Ontario Home Ownership Savings Plan,

starting with the 1988 taxation year. This plan, which the Premier first announced last August, will provide an annual tax credit of up to $500 for individuals and $1,000 for families, depending on household income. Prospective first-time home buyers can contribute a maximum of $2,000 annually for single persons and $4,000 per year for families, or as much as $20,000 over a five-year period. Participating individuals and families could be eligible for total credits of $2,500 and $5,000 respectively. Benefits are expected to average $50 million per year and will assist an estimated 150,000 families and individuals. Details of this program are set out in Budget Paper A.

Elementary and Secondary Education

The Government's top priorities for elementary and secondary education funding are to provide new schools for rapidly growing communities and to improve the quality of education, particularly in the early grades.

School Construction

As noted by the Standing Committee on Finance and Economic Affairs, many communities, particularly those surrounding Metro Toronto and within the Ottawa-Carleton region, require additional school facilities.

The Government has responded with substantial increases in the annual allocation for school capital. In 1988-89, the Ministry of Education will provide capital grants to school boards totalling $238 million, including funding for child care facilities in all new schools. Over three years, the Government has committed $519 million in grants to construct new schools and to repair and renovate existing facilities. In spite of this effort, more schools are needed.

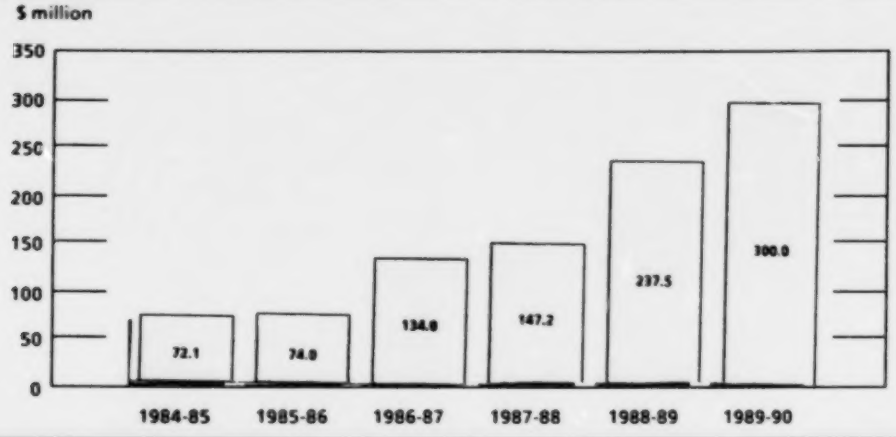
To ensure that school boards can better meet their capital requirements, I am announcing a three-year, $900 million capital grant commitment that will support an estimated $1.3 billion in projects. The plan's focus will be the construction of 110,000 new pupil places. The $300 million annual grant commitment is more than four times the level provided in 1984-85. These new school facilities will be adaptable to other community uses.

Operating Funds

Provincial support to school board operating expenditures will rise by $249 million to a total of $3.9 billion for 1988-89. Approximately 80 per cent of total spending by boards goes to pay salaries and benefits. Budget Paper D provides more information on education spending.

The Government has focussed its operating assistance on improving the quality of the educational system through special initiatives. New funding is made available to meet our commitment to reduce class sizes in grades 1 and 2, to provide for additional textbooks and other learning materials, and to improve the availability and teaching of computer technology to students. The Government will spend a total of $430 million on these initiatives over the next three years.

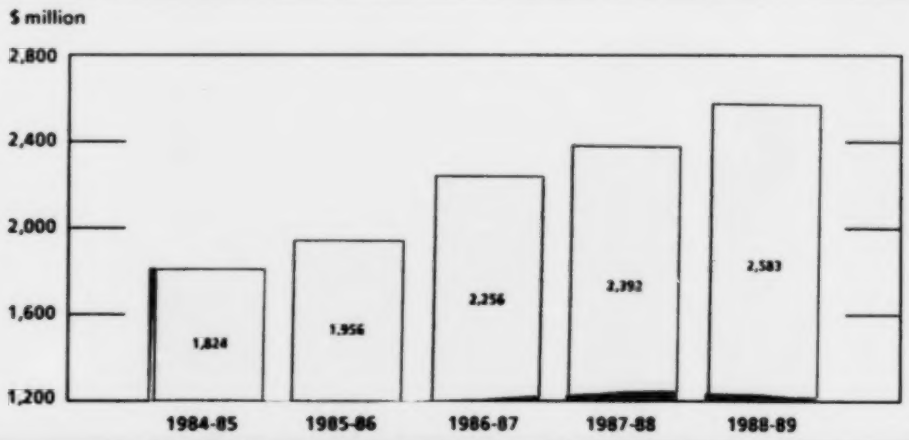
Provincial Grants for School Capital
1984-85 to 1989-90



Post-Secondary Education

In 1988-89, support for post-secondary education will reach $2.6 billion, 41 per cent higher than in 1984-85.

Post-Secondary Education Support
1984-85 to 1988-89



Changing enrolment patterns are exerting pressure on our post-secondary institutions. Universities are experiencing a sizeable increase in enrolment, due to higher participation rates and changes in the Ontario secondary school curriculum which allow students to complete high school more quickly. This Budget provides grants of $38 million this year to meet the Government's commitment to accessibility. For 1989-90, up to $88 million will be provided for accessibility, more than double the amount provided this year. This supplementary funding will help universities to accommodate the demand for greater access and higher levels of enrolment.

The challenge for the future is to put more permanent measures in place to accommodate enrolment at the new levels in a fair and cost-effective way, while maintaining excellence in teaching and research. A new longer term approach will be developed in consultation with the university community.

The needs for capital renewal are substantial in our post-secondary institutions. I am announcing a $440 million, four-year commitment, beginning in 1988-89, to address urgent capital requirements in our colleges and universities. This commitment will include $40 million to help universities acquire additional classroom space to meet pressures resulting from short-term enrolment increases. The Province would expect the continued support of alumni, faculty, students and the local and business communities through strong fund-raising efforts to supplement this commitment.

The Government's new long-term capital commitments provide extended planning horizons to both school boards and post-secondary institutions, and complement the multi-year funding approach initiated in my earlier Budgets for hospitals and roads.

Health Care

The Ministry of Health will spend $12.7 billion on health care this year, an increase of $1.2 billion from 1987-88. This amount is $2.1 billion greater than the total yield from Ontario's personal income tax and represents spending of approximately $1,350 for every Ontario resident. Over the past ten years, Ontario Health Insurance Plan payments for physicians and other practitioners have grown from 24 per cent to 32 per cent of total health care spending, while the share for operation of hospitals has declined from 52 per cent to 44 per cent. The $850 million multi-year capital plan announced in the 1986 Budget addresses the need to expand the network of health services, particularly for chronic care. Legislation will be introduced to make Provincial expenditures on the operation of hospitals eligible for funding from lottery profits.

Because of the magnitude of health care expenditures and their growing share of overall spending, we must continue to look for productivity improvements and lower cost alternatives without sacrificing the quality of care or reducing accessibility to necessary services. This will require the assistance and cooperative effort of all participants in the health care sector.

If health care costs continue to escalate at rates experienced in the recent past, other social and economic priorities will be placed at risk. Members will be aware of several important reviews recently undertaken, in addition to the innovative work underway by the Premier's Council on Health Strategy, that signal the Government's determination to keep quality health care affordable and accessible to all. Budget Paper D provides a detailed profile of health care spending.

Roads, Highways and Transit

We enjoy an excellent system of roads and highways. However, as the Standing Committee on Finance and Economic Affairs has recommended, we must continue to take action to relieve existing highway congestion and to improve transportation links in response to rapid growth. This task of upgrading and developing the transportation network is extremely costly.

In the 1987 Budget, an enrichment of $290 million was provided, through to 1990, for spending on roads and highways, and for ongoing service improvements and capital expansions of the provincial and municipal transit systems.

For this fiscal year, additional capital funding has been allocated to the Ministries of Transportation and Northern Development and Mines. In total, funding for expansion and rehabilitation of roads and highways will be $100 million higher than in 1987-88. This will support construction on several projects, such as Highway 407, the extension of Highway 403, and preliminary work on Highway 416 near Ottawa. Twelve per cent of this increase will be designated for northern roads, bringing the 1988-89 northern transportation allocation to $118 million.

To fund these improvements to Ontario's transportation network and to support future growth and development, I propose to increase the rate of tax on gasoline by one cent per litre, effective midnight tonight. This measure will generate an additional $100 million this fiscal year.

The 1988-89 allocation for GO Transit includes an increase of $33 million for expansion and improvement of rail service in selected areas, including Burlington, Milton and Whitby.

Northern and Eastern Ontario

The continuing resurgence of Northern Ontario resource industries is clearly reflected in the fact that today there are 27,000 more jobs in that region than a year ago. Investment activity reflects growing confidence in the North's future. Capital investment in the mining industry is expected to climb by a further 19 per cent this year, following an impressive increase of almost 14 per cent in 1987. The outlook for the forest industry is even stronger, with planned investment spending more than 50 per cent higher than last year.

To assist Northern communities, particularly single industry communities, and to strengthen and to diversify their economies, the Government is proceeding with the Heritage Fund, through which $360 million will be provided over the next 12 years.

The Government has recognized that some Northern communities experience major cost pressures in accommodating and servicing employees of large mining operations outside their boundaries. The Hemlo gold mining area is the most extreme case and special grants and advances have been provided to Marathon and Manitouwadge. During this Session, the Government will be introducing legislation to provide these communities

with access to the property tax assessment base of the Hemlo mining development.

I would also like to report on the progress of our Northern Relocation initiative. In last year's Budget, I indicated that 1,200 jobs would be moved to four Northern communities. We have since accelerated these moves and increased the number of staff to be relocated to 1,600, bringing with them an annual payroll of $48 million. To provide office accommodation for these employees, $200 million will be spent on the construction of new buildings and facilities over the next three years.

Economic conditions in Eastern Ontario also continue to improve. Between the first quarter of 1987 and the first quarter of this year, the number of jobs increased by 47,000, exceeding the rate of job creation for the province as a whole. Major new investments and plant expansions occurred in Cornwall, Smiths Falls, Nepean and Arnprior. The region as a whole is benefitting from considerable growth in the service sector, a high level of construction activity and a growing interest in Eastern Ontario as a location for investment.

During the past year, Provincial assistance resulted in new industrial activity in Bancroft and Belleville. This year, we are confident that we will see construction started on a new, state-of-the-art tire plant in Napanee as well as a number of plant modernizations and expansions in Eastern Ontario.

Agriculture

Prospects for the agricultural community are improving. Realized net farm income in Ontario increased by 19 per cent in 1987. For 1988, it is expected that prices for farm commodities will stabilize and costs, including debt servicing, will decline slightly.

Over the past three years, the Government has increased substantially the level of support provided to the agricultural community. Budgetary spending by the Ministry of Agriculture and Food will reach $567 million, an increase of 86 per cent since 1984-85.

For 1988-89, the Government is allocating an additional $15 million to stabilization programs for a number of commodities currently covered by separate federal and provincial arrangements. These programs will also involve the participation of the federal government and the farmers themselves. Over the next two years, tripartite programs will be put in place for most commercial farm commodities produced in Ontario, with the exception of those covered by formal marketing arrangements.

To assist tobacco growers who want to leave the industry, financial assistance will continue to be provided through the Federal-Provincial Tobacco Assistance Program. This three-year, $30 million program was introduced last year to encourage an orderly downsizing of the tobacco industry in Ontario. Recently, the Province and the federal government enriched benefits under this program for exiting growers.

First-year funding will also be provided for two Government commitments: the FarmStart program, which provides cash grants to assist farmers entering the industry, and Food Systems 2002, designed to assist farmers in reducing the use of pesticides by 50 per cent over the next 15 years.

Province of Ontario Savings Office

As a service to small investors, the Province of Ontario Savings Office will introduce a new Ontario Guaranteed Investment Certificate. As well, the Government will provide Province of Ontario Savings Office service in certain communities in Northern Ontario.

Other Priority Programs

To meet our commitment, we are proceeding with the implementation of Ontario's New Directions for Child Care. This year, $289 million is being provided for these programs through the Ministry of Community and Social Services. This spending includes $43 million in direct operating grants for non-profit centres, with the costs shared by the federal government. Ontario will also provide its share of direct operating grants for commercial centres while awaiting the federal contribution promised but not yet available under the National Child Care Strategy. In addition, $11 million of the 1988-89 school capital allocation has been dedicated to the construction of child care facilities in new and expanding schools. In total, child care spending will increase by 68 per cent over 1987-88.

In recognition of the importance of a clean environment, the Ministry of the Environment's budgetary expenditures have increased by 51 per cent since 1984-85 to $426 million this year. Recent initiatives include an expansion of the Municipal-Industrial Strategy for Abatement, cleanup of beaches, and a Lifelines program to assist municipalities in undertaking improvements to water and sewage infrastructure. To reinforce the Government's commitment to environmental protection, a special levy of 3 cents per litre on leaded gasoline will be introduced, effective midnight tonight. It is anticipated that revenue from this extra tax on leaded gasoline will amount to $39 million this fiscal year.

Expenditure Estimates will soon be tabled in the Legislature setting out details of the full range of other priority programs funded by the Budget.

Ontario Tax Assistance Programs

Federal tax reform changed several key definitions used in calculating the benefits from Ontario's tax credit program, tax reduction program and OHIP premium assistance.

As the Ontario Government wishes to maintain and enhance its assistance and to ensure that low-income people can continue to rely on the important protection under these programs, I am proposing to introduce revisions to compensate for the effects of federal tax reform and to enrich benefits. The significant support that these programs will provide to people who most need it will help to improve the fairness of Ontario's tax system.

- The new Property and Sales Tax Credit programs will deliver $444 million in tax credit benefits to over 1.8 million low-income Ontarians to ensure fairer property and sales tax burdens.
- Sales tax credits will be set at $100 per adult and $50 per child, more than doubling the total benefits for low-income households under this program.
- Under the new $40 million Ontario Tax Reduction program, 350,000 low-income taxfilers will pay no Ontario income tax.
- In 1989, another 30,000 individuals and families will no longer pay OHIP premiums. Since 1986, 105,000 individuals and families have been exempted from paying OHIP premiums by the Government's actions. In addition to the $770 million in OHIP premium assistance provided to senior citizens, low-income families and individuals, the Government is forgoing $480 million in revenue this year due to the freeze of OHIP premiums since 1985.

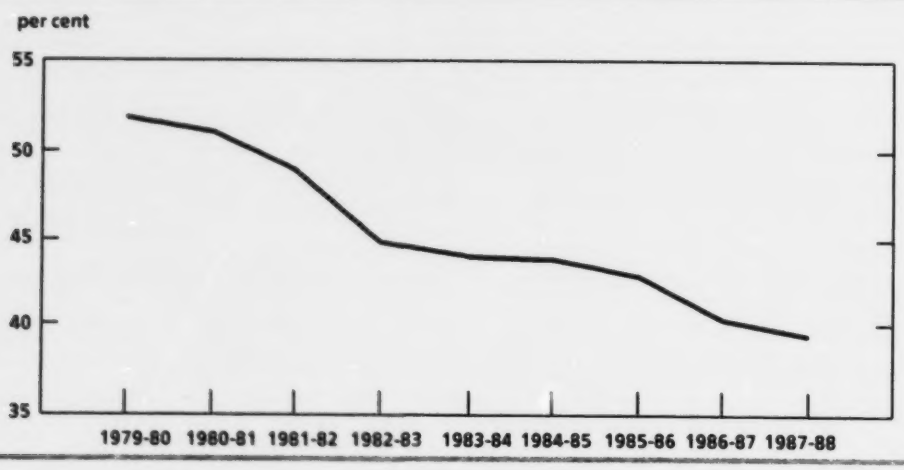
Full details of the tax assistance programs are provided in Budget Paper A.

Federal-Provincial Fiscal Relations

Federal actions that shift program costs and responsibilities to the provinces merely move the deficit burden from one level of government to another and do nothing to improve the combined federal and provincial fiscal position.

Federal limitations on the growth of Established Programs Financing transfers for health care and post-secondary education have diminished the Province's fiscal flexibility and will reduce Ontario's revenue by almost $1 billion in 1988-89 alone. Federal restraints on cost sharing have reduced Ottawa's share of these program costs from a high of 51.8 per cent in 1979-80 to 39.3 per cent in 1987-88.

Federal Share of Health and Post-Secondary Education Spending in Ontario, 1979-80 to 1987-88



Despite the increasing erosion of federal support for health and post-secondary education, spending on these important public programs in Ontario increased by 37 per cent between 1984-85 and 1987-88. Federal transfers increased by 24 per cent over the same period.

Federal actions have also significantly affected the Provincial tax system. Ontario is a partner with the federal government in a personal income tax collection agreement. Federal tax reform alters the personal income tax base and tax rates in such a way that the fairness and equity of the tax are reduced.

These reforms also lower the yield to Ontario from this revenue source by $510 million this fiscal year. In response, I am proposing to adjust the rate of personal income tax by one percentage point for 1988 and another one percentage point for 1989. This change will generate an estimated $265 million this fiscal year. The Ontario surtax rate for 1988 will be increased to 10 per cent and will apply only to individuals with incomes in excess of $85,000, raising an additional $52 million this fiscal year. Taken together with our new tax reduction program, these changes will improve the overall fairness and equity of the personal income tax and Ontario taxpayers will benefit by $238 million this fiscal year.

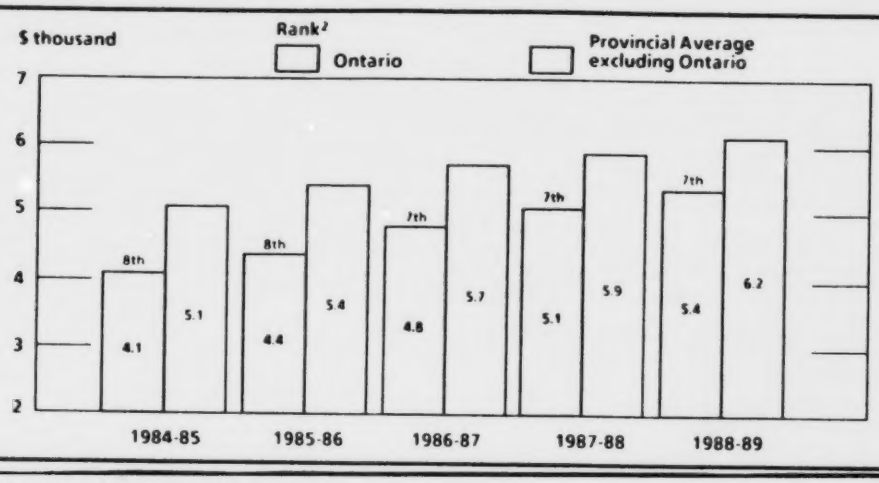
Federal tax reform introduces major changes to corporate income tax. I have already announced tax measures that are necessary to help Ontario secure new investments to keep the Province competitive in the future. At the same time, I support the principle that more of the income of profitable corporations should be brought to tax. As a result, Ontario will parallel the federal corporate tax reform base changes, except for minor areas noted in Budget Paper A. In addition, Ontario's tax base will be further aligned with that of the federal government by moving from automatic depletion to a mining profits resource allowance and by phasing out the three-year corporate income tax exemption for new firms.

Ontario's Expenditure and Revenue Needs

When the Government of David Peterson came into office in 1985, it was clear that strong measures would have to be taken to redress the many inequities and funding imbalances inherited from the past. The Government set out immediately to address these problems with a wide range of initiatives and program enrichments during its first three years. At the same time, the Government was firmly determined to operate within a framework of fiscal responsibility to bring the Province's finances under control and to reduce the planned $2.2 billion net cash requirements it inherited. In setting priorities we de-emphasized outdated programs and activities, achieved greater efficiencies within government and reallocated resources.

The progress we have made to date leaves Ontario's per capita spending below that of six other provinces.

Total Provincial Expenditures[1] Per Capita 1984-85 to 1988-89

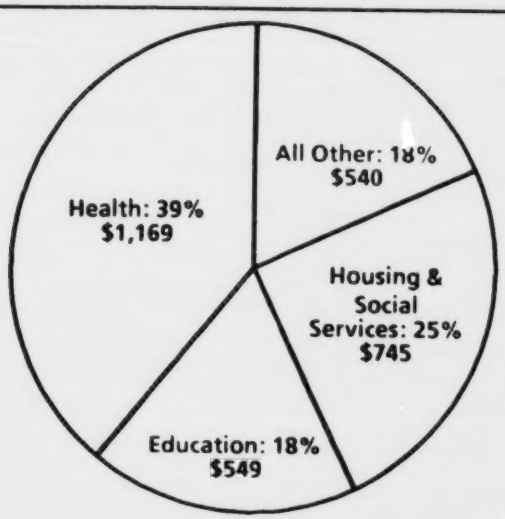


1 Combined Provincial and Local Sectors
2 Rank from highest

The Government's budgetary spending will be $37.9 billion this year. Approximately one-third of total spending will be directed to health care services alone. Operating and capital grants for elementary, secondary and post-secondary education will account for $6.5 billion. This year's $1.4 billion in housing support will assist more than two million people with their shelter needs. Social assistance benefits will total over $1.9 billion, an increase of 58 per cent since 1984-85.

Over the next few weeks, Ministers will be making detailed announcements on the implementation of programs and Government commitments funded in this Budget. Of the increased expenditure it provides, more than 80 per cent is dedicated to health care, education, housing and social services.

Distribution of New Spending in 1988-89
($ million and per cent share)



Spending Control

This is a fiscally responsible Budget that incorporates expenditure controls and introduces necessary revenue measures.

In the course of preparing each of my four Budgets, I have been mindful of the level of interdependence that exists between the Government and those providers of essential programs, who are not directly accountable to the Government.

The boards that manage our hospitals and universities, the school trustees and teachers who run our schools, and the physicians who provide medical services under OHIP have the important responsibility to act in as cost-effective a manner as possible. Provincial payments to hospitals, schools, universities and doctors represent almost 40 per cent of our budgetary spending.

The key to holding down tax burdens, while continuing to provide quality services to Ontarians, is for both the Government and those groups directly responsible for the conduct of these programs to recognize their shared responsibility for effective control of spending.

For our part, in the 1987 Budget I announced a target for expenditure savings and constraints of $350 million. This target has been met. Details of these savings are given in Budget Paper C.

The process of review and reallocation implemented last year is essential to obtaining better value for the taxpayer's dollar. For 1988-89, I have increased the savings and constraints target to $500 million.

Reflecting this approach, the increase in 1988-89 planned expenditures is again below the rate of growth of the economy.

Revenue Measures

In addition to these expenditure control actions, revenue measures are necessary to maintain a steady and responsible fiscal course. Ontario must ensure that funds are available to pay the bills for and to invest in better health care, enriched education and improved social programs over the next few years.

Retail Sales Tax

I am proposing to increase the general retail sales tax rate by one percentage point to 8 per cent, effective May 2, 1988. This increase will yield an estimated $750 million this fiscal year.

To ensure that this tax measure treats low-income families and individuals fairly, we have more than doubled the benefits provided by sales tax credits.

Tobacco Tax

The tobacco tax will be increased by 1 cent per cigarette and by 0.6 cents per gram of cut tobacco, effective midnight tonight. This measure will raise $158 million in additional revenue in this fiscal year. To improve compliance, a system of marking taxable tobacco products will be introduced by the Minister of Revenue later this year.

Alcohol

Levies will be increased on spirits, wine and beer, effective May 24, 1988, to generate an additional $62 million this fiscal year.

Capital Tax

To help small businesses deal with the financial and paper burdens associated with the capital tax, I am proposing to expand substantially the eligibility criteria for the low, flat rates of capital tax, and to eliminate the tax for firms with gross revenue and assets both under $1 million.

Details of this Budget's revenue measures are found in Budget Paper A.

The 1988-89 Fiscal Plan

The planned net cash requirements for 1988-89 are $473 million, a reduction of $720 million from last year's level. This is the lowest level in 19 years.

Fiscal Outlook Summary
($ million)

	Interim 1987-88	Budget Plan 1988-89	Per Cent Change
Revenue Inflows	34,193	37,947	11.0
Expenditure Outflows	35,386	38,420	8.6
Net Cash Requirements	1,193	473	

Details are provided in Budget Paper C.

Conclusion

We are investing in both the public and private sectors to keep Ontario dynamic, compassionate and competitive. The Budget builds on our record of responding to legitimate community needs for quality health care, excellence in education, social assistance and affordable housing. At the same time, Ontario's per capita spending remains lower than that of six other Canadian provinces.

The Budget responds to federal tax reform and ensures that people and corporations continue to be treated fairly and equitably in the tax system. High-income people will pay their fair share. Low-income individuals and families will benefit from Ontario's substantially enriched tax assistance programs.

Our program of continued reduction in net cash requirements and the pay-as-you-go approach to fiscal management will enable the Government to prepare for the economic challenges of the future.

The Budget I have placed before you today sets out a clear plan for this year and a challenging direction for the future. We are funding our priorities and meeting our commitments in a fiscally responsible manner.

Budget Paper A:
Details of Revenue Measures

Introduction

This Budget Paper provides further information on the revenue measures necessary to pay for health, education and social services. It also provides details on the new property tax and sales tax credits, the enriched Ontario Tax Reduction Program, the new Ontario Home Ownership Savings Plan and the expanded OHIP premium assistance program.

Federal Tax Reform

Federal tax reform has important implications for individuals, families and corporations. Beginning this year, the national tax base for both personal and corporate taxation has been substantially broadened and federal tax rates have been adjusted.

Generally speaking, personal income tax reform:

- raises the income level at which income tax becomes payable;
- reduces tax rates and the number of tax brackets;
- benefits those whose income is primarily from employment, while reducing or eliminating various tax planning devices; and
- provides the greatest benefits to low-income and high-income taxpayers.

Under the terms of the Tax Collection Agreement with the federal government, the broader federal income tax base and reduced tax rates are the basis for calculating the Ontario personal income tax.

Ontario administers its own corporate income tax. In the interest of fairness and administrative simplicity, Ontario will parallel most of the federal changes to the corporate tax base resulting from reform.

Impact of Ontario Revenue Measures on People

Without any action by Ontario, federal tax reform would reduce Ontario's personal income tax revenues by approximately $510 million in 1988-89. Ontario's income tax adjustments described in this paper ensure that Ontario individuals and families will still benefit from a total reduction of $238 million in personal income tax. Low-income people benefit from the restructured and enriched Ontario tax credits introduced in this Budget. In addition, Ontario's tax reduction program has been revised and enriched to ensure that those who most need tax offsets get them. Adjusted personal income tax rates and a modified surtax improve progressivity, as higher income people will pay proportionately more. Personal income tax rates will continue to compare favourably with those in the United States, when taking into account the major benefits to Ontarians from publicly-funded social programs.

Along with the adjustments to the personal income tax, the Budget proposes that new funding for health, education and other important public services

be generated through a one percentage point increase in the general retail sales tax rate. The impact of this tax change will vary according to the level of income, the timing and financing of major taxable purchases, the proportion of income dedicated to basic living expenses, such as housing and groceries, and other factors. However, the non-taxation of basics, such as food, and the doubling of the sales tax credit will minimize the impact on low income people.

The overall effect of these Budget changes is to raise revenues for important social and economic programs that benefit all citizens in a fair and balanced manner.

Implications for Corporations

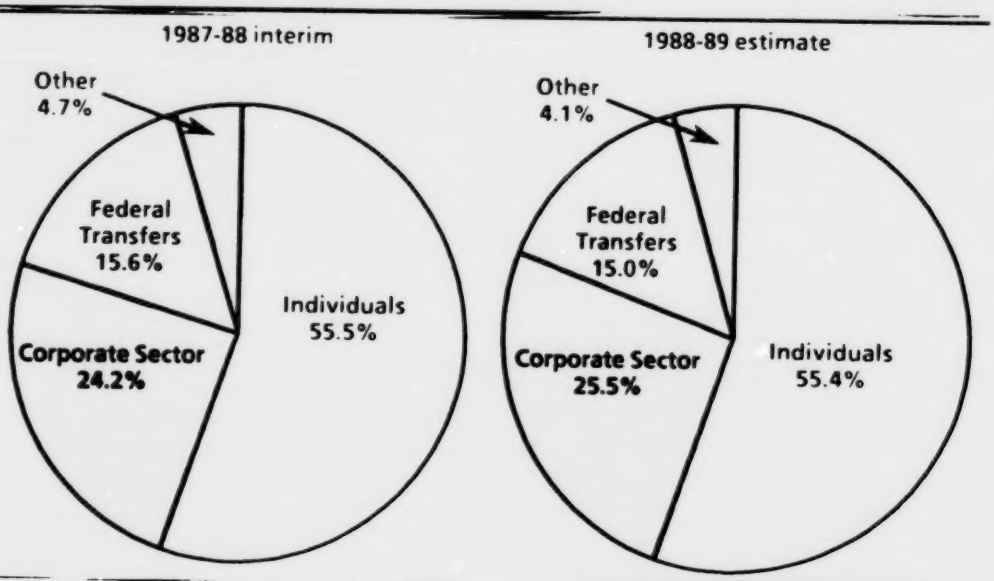
Some aspects of the reformed corporate tax system will be phased in over the next few years. The anticipated effect of fully phased-in corporate tax reform is to increase revenues from the corporate sector.

Given the concern that federal reform will adversely affect manufacturing investment, specific tax action is taken to help manufacturers in Ontario compete for new investment. The importance of research and development is recognized through the introduction of special incentives. With these Budget measures, combined federal and Provincial corporate tax burdens will remain competitive.

Share of Revenues

As a result of these tax changes and the strong performance of corporate profits, the share of budgetary revenues from the corporate sector is expected to increase slightly from last year. This is shown in Chart 1.

Revenue Share by Major Contributor
1987-88 and 1988-89 Chart 1



Note: Budgetary revenue is analyzed on a tax entitlement basis. Tax entitlement does not include revenues accruing from speed-ups in collection and prior year adjustments.

The tax changes summarized in Table 1 are shared by individuals and corporations in roughly the same proportions as were in effect prior to this Budget.

Revenue Changes[1]:
1988 Budget Impact Summary
($ million)

Table 1

	1988-89		Full Year	
Personal Income Tax				
Paralleling Reform	(510)		(450)	
Other Ontario Moves	272	(238)	286	(164)
Retail Sales Tax		820		986
Tobacco Tax		151		172
Gasoline Tax		139		167
Corporations Tax				
Paralleling Reform	80		160	
Other Ontario Moves	(51)	29	(110)	50
OHIP Premiums		(2)		(15)
LCBO Profits/LLBO Licences		54		65
Total Revenue Changes		**953**		**1,261**

1 Own-source revenue does not include Established Programs Financing offsets of approximately $120 million.

Revenue Changes

The following sections provide a summary of the 1988 Budget taxation policy changes. For precise information, the reader is advised to consult the amending legislation.

Income Tax Act

Paralleling Tax Reform

Ontario will parallel federal personal income tax reform which:

- **reduces the number of marginal tax rates from ten to three;**
- **converts personal exemptions and selected deductions to tax credits; and**
- **broadens the taxable income base by means of the reduction or elimination of certain tax preferences.**

Tax Rate Adjustment

The rate of Ontario personal income tax levied under the Ontario Income Tax Act is set at:

- **51 per cent of Basic Federal Tax for 1988; and**
- **52 per cent of Basic Federal Tax for subsequent taxation years.**

Ontario's effective tax rates corresponding to the three federal tax brackets will be:

Ontario Personal Income Tax Rates as a Percentage of Taxable Income Table 2

Taxable Income	1988	1989
	(%)	(%)
up to $27,500	8.67	8.84
$27,501 - $55,000	13.26	13.52
over $55,000	14.79	15.08

Surtax

For 1988 and subsequent taxation years, the Ontario surtax will be 10 per cent of Ontario income tax payable in excess of $10,000.

Ontario Tax Reduction

The Ontario Tax Reduction Program has been restructured so that, for the 1988 and subsequent taxation years:

- individuals with Ontario income tax otherwise payable of $150 or less will pay no Ontario income tax; and
- individuals with Ontario income tax between $150 and $225 will have Ontario income tax reduced by an amount equal to $450 minus twice Ontario income tax.

All enquiries regarding personal income tax changes should be directed to:

Taxation Policy Branch
Ministry of Treasury and Economics
4th Floor, Frost Building South
7 Queen's Park Crescent East
Toronto, Ontario
M7A 1Y7
(416) 965-5738

Corporations Tax Act

Concordance with the Income Tax Act (Canada)

- The changes to the Income Tax Act (Canada) and their effective dates (as introduced in the federal government's Notice of Ways and Means Motion of December 16, 1987) will be adopted for Ontario corporate income tax purposes, except that:
  - Under the proposed sharing arrangements, Ontario will not participate in the new federal tax on preferred share dividends. The proposed structure for Provincial participation does not match Ontario's share of the new tax with the value of deductions that Ontario would be required to provide. Accordingly, no deduction for

preferred share dividend taxes paid will be allowed for Ontario corporate income tax purposes. Ontario would participate if agreement is reached on a fair sharing formula.

- The new federal tax on investment income for life insurers will not be deductible for Ontario corporate income tax purposes.

- The international banking centre provisions introduced in Bill C-64 will not be paralleled by Ontario.

Phase Out of Three-Year Income Tax Exemption

- The three-year exemption from Ontario corporate income tax for qualifying new corporations will be phased out. Corporations that were carrying on an active business prior to April 21, 1988 will continue to be eligible for their first three taxation years. The exemption will be discontinued starting with corporations that are incorporated after April 20, 1988.

Allowances for Mining Profits

- The automatic depletion allowance for mining profits will be phased out over a five-year period commencing January 1, 1989.

- The resource allowance will be extended to mining profits. The resource allowance for mining profits will be phased in over a five-year period commencing January 1, 1989.

- The applicable resource allowance and automatic depletion allowance rates during the transition period will be:

Allowances for Mining Profits Table 3

	Automatic Depletion Allowance	Resource Allowance
	(%)	(%)
To December 31, 1988	33 ⅓	NIL
1989	26 ⅔	5
1990	20	10
1991	13 ⅓	15
1992	6 ⅔	20
1993 and subsequent years	NIL	25

- For taxation years straddling the implementation dates of these changes, the rates of the automatic depletion allowance and resource allowance will be prorated according to the number of days in the taxation year before and after the effective dates of the changes.

Capital Tax: Small Businesses

- The capital tax for small corporations will be amended for taxation years ending after April 20, 1988 as follows:

  - Corporations with total assets and gross revenues of $1 million or less will be exempted from Ontario capital tax.

- Corporations with total assets or gross revenues in excess of $1 million, but with taxable capital under $1 million, will continue to pay Ontario capital tax of $100.
- Corporations with total assets or gross revenues in excess of $1 million but both less than $1.5 million, and whose taxable capital exceeds $1 million but is less than $2 million, will pay Ontario capital tax of $200.
- Corporations with total assets or gross revenues in excess of $1.5 million, and taxable capital in excess of $1 million but less than $2 million, will pay $500 in Ontario capital tax.
- The general rate of 3/10ths of 1 per cent will be phased in for corporations with taxable capital between $2 million and $2.3 million.
- The general rate of 3/10ths of 1 per cent will apply to corporations with taxable capital exceeding $2.3 million.

Capital Tax: Loan and Trust Companies

- The capital tax rate for loan and trust companies will be increased from 6/10ths to 8/10ths of 1 per cent.
- This change will be effective for taxation years ending after April 20, 1988. For taxation years straddling April 20, 1988, the tax rate increase will be prorated according to the number of days in the taxation year subsequent to that date.

Ontario Manufacturing and Processing Current Cost Adjustment

- A current cost adjustment will be provided for the purchase of new manufacturing and processing machinery and equipment for use in Ontario.
- The current cost adjustment will be a direct deduction from income otherwise subject to tax in Ontario calculated as a percentage of the tax depreciable cost of new manufacturing and processing machinery and equipment used in Ontario. The purchase will be eligible for the current cost adjustment in the first taxation year that capital cost allowance is claimable for it.
- The current cost adjustment rate will be phased in as follows:
  - For purchases made in 1989, 10 per cent.
  - For purchases made after 1989, 15 per cent.

Research and Development Super Allowance

- A new R&D Super Allowance will be provided for current and capital expenditures on research and development incurred in Ontario. The Super Allowance will be a direct deduction from income otherwise subject to tax in Ontario.

- All corporations performing research and development in Ontario will be eligible for an R&D Super Allowance equal to 25 per cent of qualifying expenditures. Small businesses will be eligible for an R&D Super Allowance equal to 35 per cent of such expenditures.
- Qualifying expenditures will be defined as those eligible for the federal research and development investment tax credit. The Ontario R&D Super Allowance will be based on the amount of qualifying expenditures incurred net of the federal tax credit claimable.
- Additionally, the R&D Super Allowance will be increased by 50 per cent for qualifying incremental expenditures incurred in the year.
- The average of R&D expenditures incurred in the three immediately preceding taxation years will form the basis for determining incremental expenditures. Current year expenditures in excess of the base average will be considered incremental.
- The new R&D Super Allowance will apply to expenditures incurred after April 20, 1988.
- For corporations claiming an R&D incremental Super Allowance for a taxation year straddling April 20, 1988, the incremental expenditure base will be prorated according to the number of days in the taxation year subsequent to April 20, 1988.

All enquiries regarding these changes should be directed to:

Corporations Tax Branch
Ministry of Revenue
P.O. Box 622
33 King Street West
Oshawa, Ontario
L1H 8H6

Call:
965-8470 (Toronto)
1-800-263-3792 (area code 807)
1-800-263-3960 (all other area codes)

The Gasoline Tax Act

Rate Changes

- Effective midnight tonight, gasoline tax rates will be increased:
  - by 1 cent per litre on all grades of gasoline, from 8.3 cents to 9.3 cents per litre; and
  - by an additional special levy of 3 cents per litre on leaded gasoline, for a total of 12.3 cents per litre.

Tobacco Tax Act

Rate Changes

- Effective midnight tonight, tobacco tax rates will be increased:
  - by 1 cent, from 2.83 cents to 3.83 cents per cigarette; and
  - by 0.6 cents, from 1.6 cents to 2.2 cents for each gram, or part of a gram, of cut tobacco.

Inventories

- In keeping with past practice, wholesalers will be required to declare their cigarette inventories as of midnight tonight, and to remit tax on such inventories as directed by the Ministry of Revenue.

All enquiries regarding the gasoline and tobacco tax changes should be directed to:

Motor Fuels and Tobacco Tax Branch
Ministry of Revenue
P.O. Box 625
33 King Street West
Oshawa, Ontario
L1H 8H9

Call:
965-8470 (Toronto)
1-800-263-3792 (area code 807)
1-800-263-3960 (all other area codes)

Retail Sales Tax Act

Rate Change

- Effective May 2, 1988, the general retail sales tax rate of 7 per cent will be increased to 8 per cent.
- Other retail sales tax rates are unchanged.

Newspaper Advertising Inserts

- Effective May 2, 1988, newspaper advertising inserts and supplements will be excluded from the exemption provided for newspapers.

Ready-Mix Concrete and Asphalt Mix

- Ready-mix concrete and asphalt mix will be taxed at the general rate of 8 per cent on the delivered price, effective May 2, 1988.

Clarification of Fair Value

- Effective May 2, 1988, the definition of fair value in the Act will be amended to include the federal telecommunication services tax under the

Excise Tax Act (Canada). This change assures consistent treatment of federal sales and excise taxes for the purpose of calculating Ontario tax.

All enquiries regarding retail sales tax changes should be directed to:

Retail Sales Tax Branch
Ministry of Revenue
P.O. Box 623
33 King Street West
Oshawa, Ontario
L1H 8H7

Call:
965-8470 (Toronto)
1-800-263-3792 (area code 807)
1-800-263-3960 (all other area codes)

Revenue from Spirits, Wine and Beer

- The levy applied to each 750 millilitre bottle of spirits and wine and to each 12-pack of 341 millilitre bottles of beer will increase by 8 cents from 10 cents to 18 cents.
- Proportionate increases in the levy will apply to all other bottle/package sizes of these products.
- In addition, the following increases will apply to beer:
  - The manufacturer's licence fee on the production of domestic beer for sale in Ontario will be increased by two percentage points, from 21.2 per cent to 23.2 per cent.
  - The mark-up on imported beer will also be increased by two percentage points.
- These measures will be effective May 24, 1988.

All enquiries regarding these changes should be directed to:

Liquor Control Board of Ontario
Communications Office
55 Lake Shore Boulevard East
Toronto, Ontario
M5E 1A4
(416) 963-1926

OHIP Premium Assistance

As a result of federal tax reform, taxable income is changed significantly for unchanged levels of gross income. To ensure that premium assistance recipients continue to qualify for assistance, an adjustment in the eligibility

criteria will be implemented. The previous system has been extended for 1988 to cover the interim period.

Beginning in 1989, premium assistance will no longer be based on taxable income. Instead, qualifying income will be calculated as gross income minus the following:

- union/professional dues;
- contributions to Registered Retirement Savings Plans and Registered Pension Plans;
- eligible child care expenses;
- alimony payments; and
- tuition fees.

The following table displays the levels of assistance by family size and qualifying income limits.

Qualifying Income Levels for Premium Assistance Table 4

Level of Assistance (%)	Single ($)	Family of: Two ($)	Three ($)	Four ($)
100	9,650	15,110	15,200	15,290
75	10,170	16,160	16,250	16,340
50	10,690	16,690	16,780	16,870
25	11,220	17,200	17,290	17,380

Where family size exceeds four, the income levels for premium assistance are increased by $90 for each additional dependant.

Seniors, social assistance recipients and those requiring temporary assistance will continue to receive free OHIP coverage.

All enquiries regarding the Ontario Health Insurance Plan should be directed to the nearest OHIP office or to:

Membership Programs Branch
OHIP
Macdonald Cartier Building
49 Place d'Armes
P.O. Box 48
Kingston, Ontario
K7L 5J3

New Property and Sales Tax Credits

Introduction

For 1987, Ontario provided $360 million in property and sales tax credits to low- and moderate-income individuals and families. Benefits were based on property taxes paid, family size and the claimant's taxable income.

Federal tax reform has changed several key income tax definitions upon which benefits under the Ontario Tax Credit (OTC) program depend. By changing many exemptions and deductions to tax credits, federal tax reform has the effect of increasing taxable incomes, even though gross incomes may not have changed. For many current OTC recipients, taxable income after tax reform is defined at levels which would no longer qualify for tax assistance under the existing OTC program.

In addition, the elimination of personal exemptions removes the basis on which Ontario's sales tax credit benefits have been determined. Taken together, the changes in the way tax is calculated would have reduced credit benefits significantly and removed beneficiaries from the program. Action taken in this Budget redresses this situation and increases total benefits.

A Fairer Tax Credit Program

To improve fairness and progressivity, the combined net income of spouses and supporting individuals in a household will be used as the test for benefit eligibility under the OTC program. This improves fairness and progressivity by shifting benefits from relatively higher income households to lower income households.

Unlike the previous method of using the taxable income of the higher income spouse and ignoring the earnings of the lower income spouse in a two-earner household, the combined income approach directs benefits to those in greatest need. Credit benefits will now be based on a more comprehensive, fairer measure of need.

The table below compares the new OTC formula to the pre-reform formula. Under the new formula, the values for property tax credits and sales tax credits have been increased to allow for an enrichment in benefits.

The New Credit Program: Formula Table 5

	Pre-Reform	New for 1988
Property Tax Credit	$230 + 10% Occupancy Cost	$250 + 10 % Occupancy Cost
Sales Tax Credit	1% of Personal Exemptions	$100 per adult, $50 per child
Credit Offset	2% of Taxable Income	2% of (Combined Net Income - $4,000)

The new formula:

- reaffirms Ontario's commitment to the reduction of property and sales tax burdens for low-income households;

- improves equity and fairness through the use of combined income;
- recognizes family circumstances by providing sales tax credits of $100 per adult and $50 per child, helping families with children more than the previous credit; and
- simplifies the calculation of tax credit benefits.

Sales Tax Credit

Sales tax credit benefits have been more than doubled over those provided in 1987. This enrichment is designed to reduce the impact of the higher retail sales tax rate on lower income households.

Total credit benefits will be $444 million in 1988, $84 million, or 23 per cent, more than was delivered last year. The new benefit distribution for Property and Sales Tax Credits is compared to the pre-reform benefit distribution in the following table.

The New Credit Program: Benefit Distribution[1] Table 6

Income ($)	Pre-Reform ($million)	New for 1988 ($million)
0-10,000	169	216
10,000-20,000	120	151
20,000-30,000	48	61
over 30,000	24	16
Total Benefits	**360**	**444**

1 Numbers do not add due to rounding.

The Ontario Home Ownership Savings Plan

The new Ontario Home Ownership Savings Plan (OHOSP) will provide tax credits to assist individuals and families who are saving for the purchase of a first home.

Eligible Contributions

- An individual may contribute up to $2,000 per year to an OHOSP. For a couple, a combined total contribution of up to $4,000 per year is allowed.
- Contributions to a qualifying savings plan at a participating financial institution may be made for five consecutive years beginning with the year in which the plan is opened. Plans may be opened beginning on September 1, 1988, and until December 31, 1993.
- Any accumulated interest income in the plan will, for income tax purposes, be treated in the same way as interest income on other savings.

The OHOSP Tax Credit

- The annual OHOSP tax credit will be equal to 25 per cent of eligible contributions and, therefore, can be as high as $500 for an individual. Couples must claim one combined credit, which may be as high as $1,000.

- Full 25 per cent tax credits will be available for individuals and couples with incomes not exceeding $20,000 and $40,000 respectively.
- A reduced tax credit will be available if income exceeds $20,000 for individuals, and $40,000 for couples and for those reporting income of another supporting person.
- OHOSP tax credits are fully phased out at incomes of $40,000 for individuals and $80,000 for couples.
- Credits will be claimed as part of the Ontario Tax Credit program upon filing of the income tax return.

Eligible Tax Credit Recipients

- Eligible tax credit recipients are residents of Ontario on December 31 of each tax year, who are 18 years of age or over, and who have not previously owned an interest in an eligible home anywhere.

Withdrawals

- If the funds are withdrawn for the purchase of a first home in Ontario there will be no recapture of OHOSP tax credits. Partial withdrawals are not permitted.
- If the funds are to be withdrawn for any purpose other than for the purchase of an owner-occupied first home in Ontario, the planholder will be required to return to the Ontario Government an amount equal to the accumulated OHOSP tax credits received plus interest. At the time of such withdrawals, 25 per cent of the proceeds from the plan will be withheld and applied by the Ministry of Revenue to the amounts repayable.
- The proceeds from the plans of both spouses must be applied towards the purchase of a first home or OHOSP tax credits will be recaptured.
- All funds must be withdrawn from OHOSP qualifying savings plans by December 31, 1999.

Eligible Homes

- An eligible home includes the following:
  - a detached house;
  - a semi-detached house;
  - a duplex, triplex or fourplex;
  - shares in a co-operative housing entity;
  - a mobile home which is installed and suitable for year-round residential occupancy;
  - a condominium unit; or
  - a townhouse.

All enquiries regarding changes to the Ontario Tax Credits and the new OHOSP program should be directed to:

Guaranteed Income and Tax Credit Branch
Ministry of Revenue
P. O. Box 624
5th Floor, 33 King Street West
Oshawa, Ontario
L1H 8H8

Call:
965-8470 (Toronto)
1-800-263-3792 (area code 807)
1-800-263-3960 (all other area codes)

Ontario Tax Expenditure Changes

As a result of this Budget, a number of Ontario tax expenditures have been altered. The following table illustrates this Budget's specific policy changes to Ontario tax expenditures. Due to the interdependence of tax expenditures, the values of each tax move must be calculated individually and are not additive.

Changes to Ontario Tax Expenditures Table 7
($ million)

Measure	Revenue Impact[1] 1988-1989	Full Year
Corporation Taxes		
Phase out of 3-year Exemption	0	20
Manufacturing Current Cost Adjustment	(10)	(80)
R&D Super Allowance	(32)	(45)
Capital Tax Reduction	(14)	(20)
Automatic Depletion Phase out	0	9
Resource Allowance Phase in	0	(2)
Personal Income Tax		
Tax Reduction	(40)	(40)
OHOSP Tax Credit	0	(50)
Property and Sales Tax Credits	0	(84)
Retail Sales Tax		
Concrete and Asphalt Mix	22	27
Newspaper Advertising Inserts	14	17

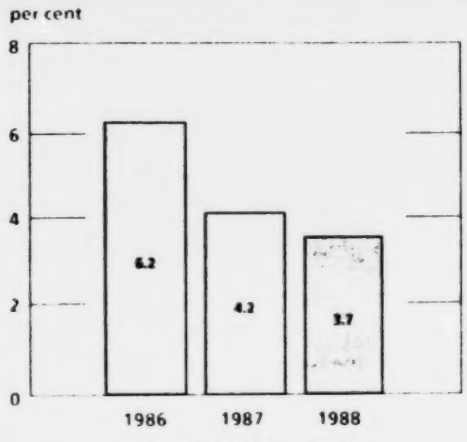
[1] ( ) Means Tax Expenditure increase.

Budget Paper B:

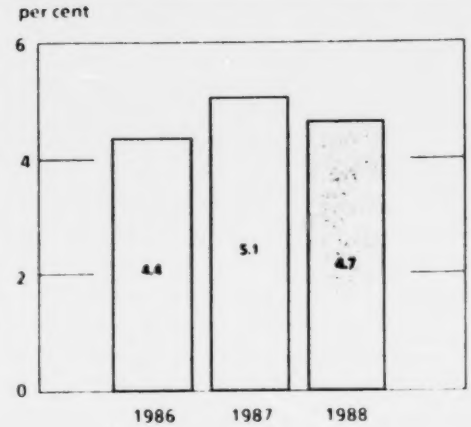
Ontario Outlook: 1988 Highlights

- Ontario's real Gross Domestic Product (GDP) is forecast to increase by 3.7 per cent in 1988. This follows an increase of 4.2 per cent in 1987.
- Consumer price inflation in Ontario is forecast to decline to 4.7 per cent in 1988.

Real Growth
1986 to 1988

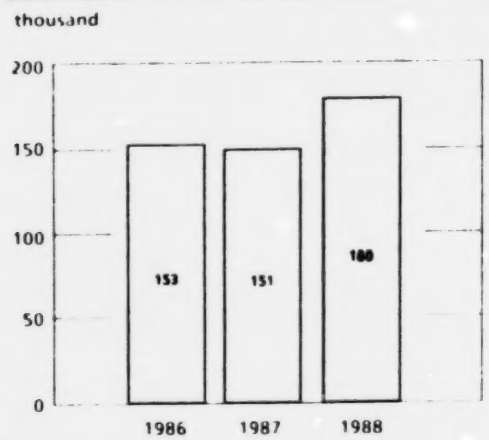


CPI Inflation
1986 to 1988

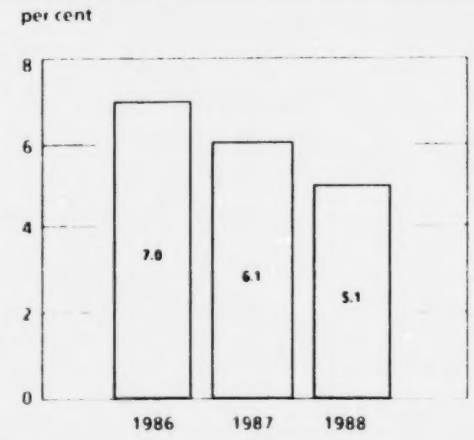


- The Ontario economy is expected to create 180,000 jobs in 1988.
- The unemployment rate is expected to average 5.1 per cent in 1988, compared to a 6.1 per cent average in 1987.

Job Creation
1986 to 1988



Unemployment Rate
1986 to 1988



Key Factors

Ontario's economic performance is influenced by developments in other parts of Canada and abroad. Exports of goods and services account for 47 per cent of Ontario's Gross Domestic Product. Of these exports, over 60 per cent go to the United States and over 30 per cent go to other provinces. Growth in the United States and in the rest of Canada is thus essential to the economic health of Ontario. Also key to the province's economic prospects are movements in exchange rates, interest rates and oil prices. The next section reviews the outlook for these central factors.

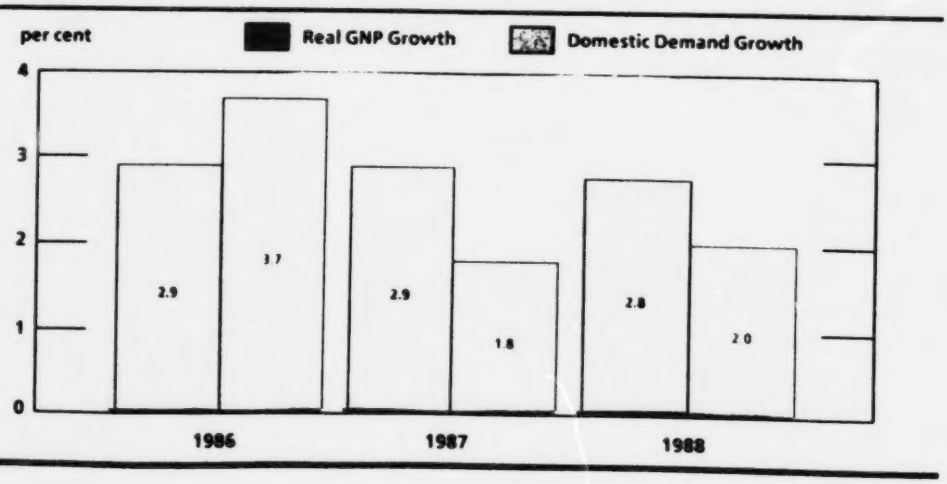
International Economic Environment

Despite global trade imbalances, real GDP for the combined twenty-four countries of the OECD grew at an average rate of 2.8 per cent in 1987. Stronger demand contributed to a four per cent rise in the volume of world trade.

Following last year's strong growth, the pace of expansion in most industrial economies is expected to moderate in 1988, primarily reflecting lingering concern over the effects of the October 1987 stock market crash. Nonetheless, lower interest rates have helped to allay recessionary fears. Moreover, in the closing months of 1987 and early 1988, economic growth demonstrated considerable momentum, particularly in the United States and Japan.

The economy of the United States, Ontario's most important export market, is expected to continue to grow this year. U.S. real Gross National Product (GNP) is forecast to grow by 2.8 per cent in 1988, compared to an increase of 2.9 per cent in 1987. Growth will be led by a strong expansion in real net exports and investment in machinery and equipment. Total output will grow more rapidly than domestic demand.

U.S. Economic Performance and Prospects
1986 to 1988



Rest of Canada

The trend toward more balanced regional growth seen in 1987 is expected to continue this year. Real GDP in Canada is expected to increase 3.4 per cent in 1988.

Expanding investment, particularly in mining and forestry, and strong consumer spending outside central Canada are expected to contribute to Ontario's trade with the rest of Canada.

Oil Prices

In recent months, OPEC has made little progress in its efforts to control oil production. The resulting oversupply, coupled with weak demand in Europe, has led to a softening of oil prices.

- Through 1988, oil prices are expected to average $16 (U.S.) per barrel at the well head, down $2 from the 1987 average.
- The expected decline in oil prices should moderate inflation in Ontario and add to the real purchasing power of Ontario consumers. Each $1 (U.S.) per barrel fall in international oil prices reduces Ontario's oil bill by $225 million (Cdn.) per year.

The Exchange Rate and Financial Markets

The easing in domestic interest rates since last fall reflects rate declines in the United States and concerns over volatility in the financial system.

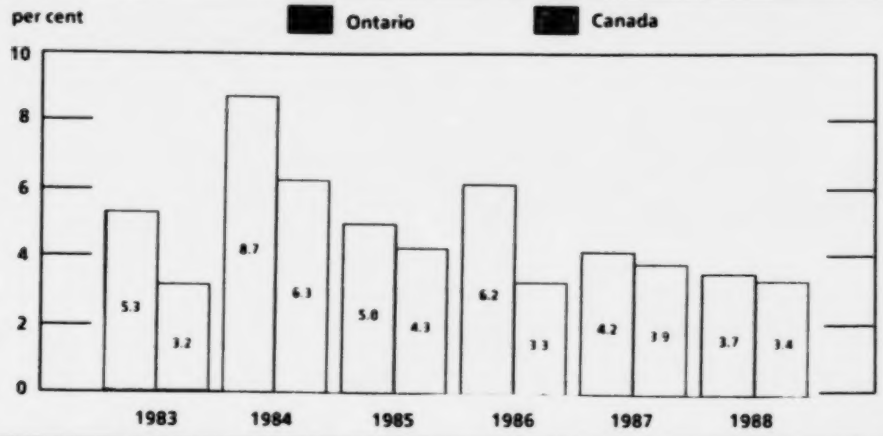
- The Bank of Canada's anti-inflationary stance is expected to keep Canadian short-term interest rates high relative to U.S. levels. Interest rates are expected to move in tandem with U.S. rates in the second half of 1988.
- Favourable real returns on Canadian financial assets, coupled with a further improvement in Canada's terms of trade, are expected to support the Canadian dollar in the 78-81 cent (U.S.) range over the balance of the year.
- The recent appreciation of the Canadian dollar will adversely affect corporate earnings and net exports.

Overview of the Ontario Economy

After five years of very rapid expansion, growth in the Ontario economy is expected to moderate slightly in 1988.

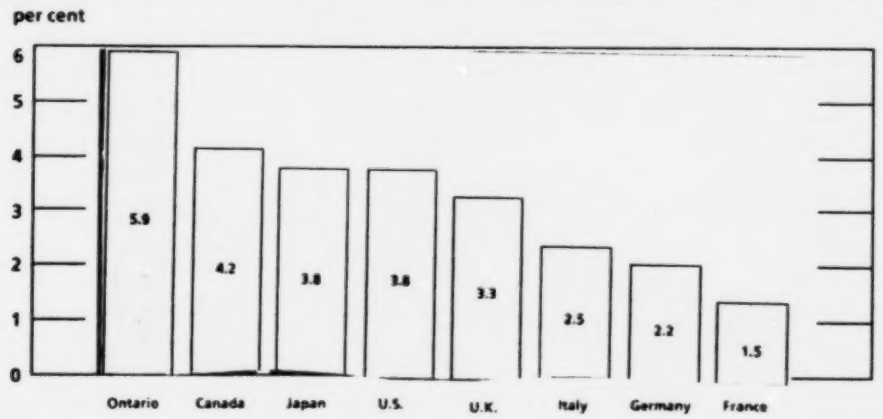
- Real GDP in Ontario has risen by over 33 per cent during the past five years.
- During this time, growth in the Ontario economy has outpaced growth in the Canadian economy.

Growth in Real Gross Domestic Product
1983 to 1988



- Ontario has also outpaced all the major industrial nations in the 1983-87 period.

Comparative Real Output Growth, 1983-87
(5-year annual averages)



- The strength and duration of the current expansion reflect the shifting focus of growth, with different sectors of the economy fuelling growth at various stages. The initial phase was led by a sharp rebound in auto exports, followed by robust consumer spending. More recently, growth has been driven by a surge in both residential construction and business investment.

Moderate inflation and declining interest rates have sustained the current expansion. However, Ontario's economic growth is expected to decelerate in 1988, reflecting the expected modest slowdown in the residential construction sector, rapid growth in real imports, and a stabilizing personal savings rate.

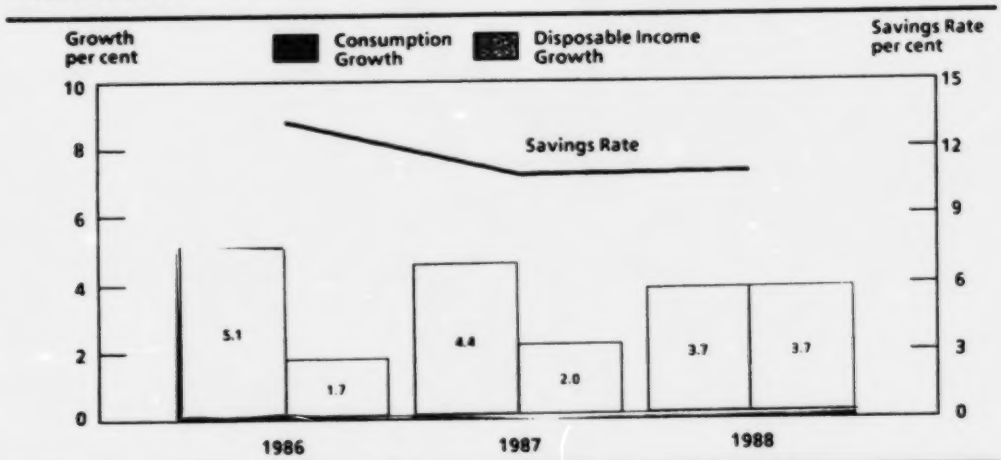
While the 3.7 per cent rate of real growth forecast for 1988 is less than the rates achieved earlier in the current expansion, it is expected to be sufficient to result in healthy employment growth and in a further decline in Ontario's annual unemployment rate to 5.1 per cent, a level not reached since 1974.

The Outlook in Detail

Consumer Demand

Over the past five years, consumption has grown more quickly than real personal disposable income. The gap has been filled by steady declines in the share of personal disposable income that is saved. After declining steadily since 1984, the savings rate is expected to stabilize in 1988, bringing consumption growth into line with increases in real personal disposable income.

Real Consumption, Real Personal Disposable Income and Savings 1986 to 1988

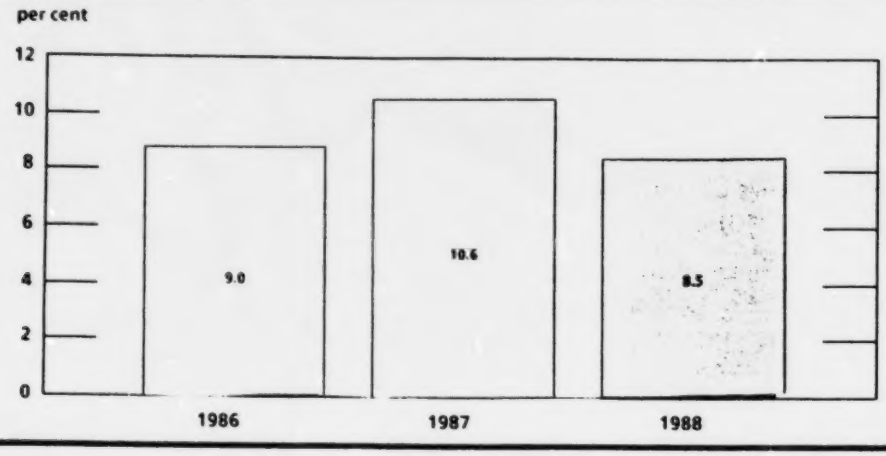


Continuing growth in consumption is expected in 1988 as a result of a number of developments.

- Strong job creation and lower inflation should help maintain growth in real personal income in Ontario.
- Sales of durable goods are expected to remain reasonably strong as home buyers continue to furnish the near-record number of houses started in 1987.

Retail sales are expected to remain strong, but to grow at a rate somewhat slower than last year's rapid advance of 10.6 per cent, which was fuelled by a sharp decline in the savings rate. The 8.5 per cent increase anticipated this year also reflects lower inflation and the continuing shift in consumption patterns from goods to services.

Growth in Ontario Retail Sales
1986 to 1988



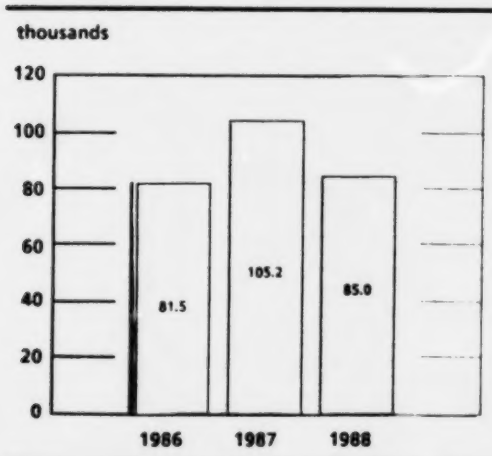
Housing

Ontario housing starts exceeded 105,000 in 1987, the highest level since 1973. Pent-up demand from the early 1980s together with declining mortgage rates contributed to the recent boom.

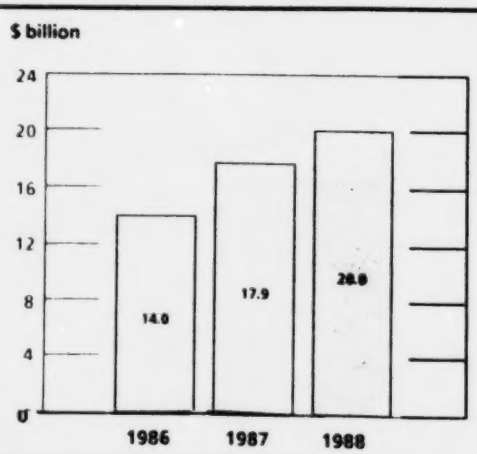
- Residential investment expenditures reached $17.9 billion in 1987, a 28.3 per cent increase from the 1986 level of $14.0 billion.

In 1988, growth in residential investment spending is expected to moderate, registering an 11.5 per cent increase to $20.0 billion. Housing starts are expected to continue at a strong pace of 85,000, moving broadly in line with demographic requirements.

Housing Starts
1986 to 1988



Residential Construction
Expenditures, 1986 to 1988



Business Investment

Investment spending is expected to strengthen in 1988 in response to continuing growth in demand, healthy corporate profits and high capacity utilization rates.

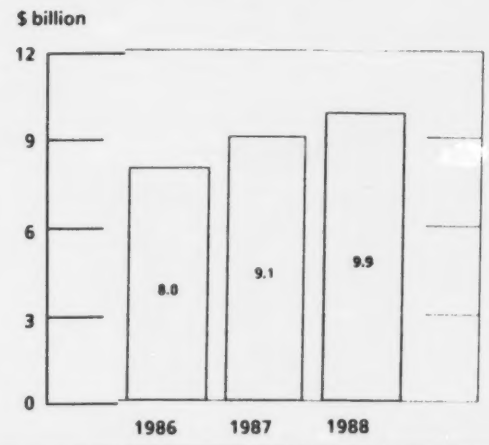
- Pre-tax profits are expected to increase 14.4 per cent in 1988, following a 23.3 per cent advance in 1987.
- The average capacity utilization rate for all non-farm goods producing industries in Canada reached 87.6 per cent late last year, an extremely high level by historical standards.

Total business spending on plant and equipment is forecast to reach $28.0 billion this year, an increase of 13.6 per cent over 1987. Investment is expected to be particularly strong in the manufacturing, forestry, mining and utilities sectors.

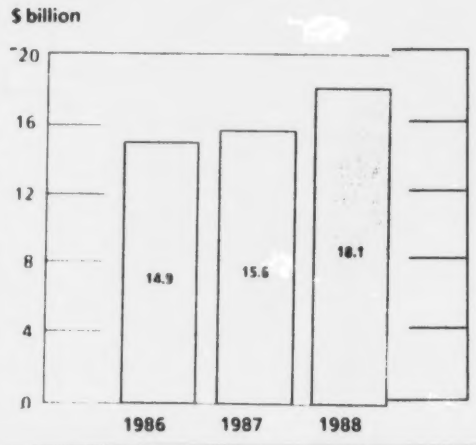
- Non-residential construction spending is forecast to grow by 8.9 per cent in 1988, after increasing by 12.9 per cent in 1987.
- Machinery and equipment spending is projected to increase by a robust 16.3 per cent in 1988, following a 4.9 per cent increase in 1987.

Manufacturing investment is expected to increase by 14.5 per cent in 1988. Large increases are expected in the transportation equipment, wood, paper, food and beverage and non-metallic minerals sectors.

Business Non-Residential Construction, 1986 to 1988



Business Machinery and Equipment Investment, 1986 to 1988



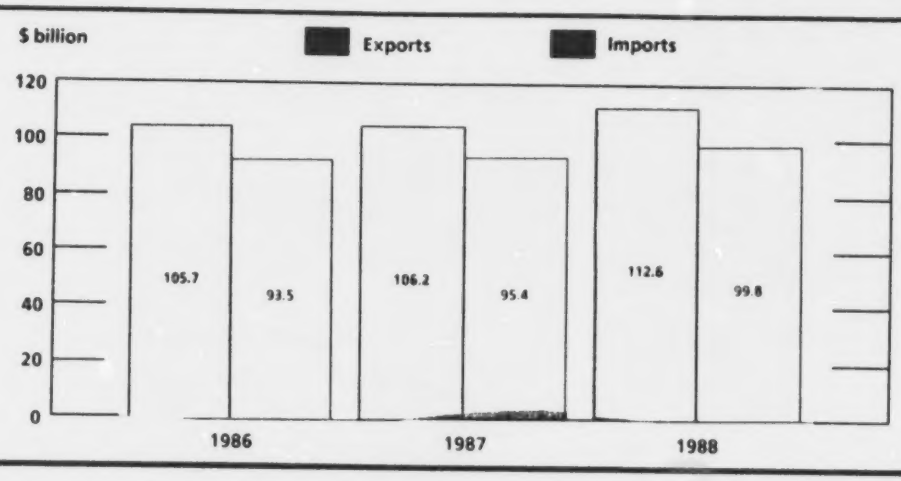
Trade

In 1988, growth in Ontario exports, in current dollars, is anticipated to outpace import growth. Consequently, Ontario's nominal trade balance is expected to improve.

- Ontario exports are expected to grow by 6.0 per cent in 1988, compared to a 0.5 per cent increase last year. Stronger growth reflects an expected rebound in auto exports, which were held back last year by temporary plant shutdowns associated with major plant modernization.

- Strong increases in machinery and equipment investment and consumer spending are forecast to sustain growth in imports. Imports are expected to grow by 4.6 per cent in 1988, up from a 2.0 per cent increase last year.

Ontario Trade
1986 to 1988



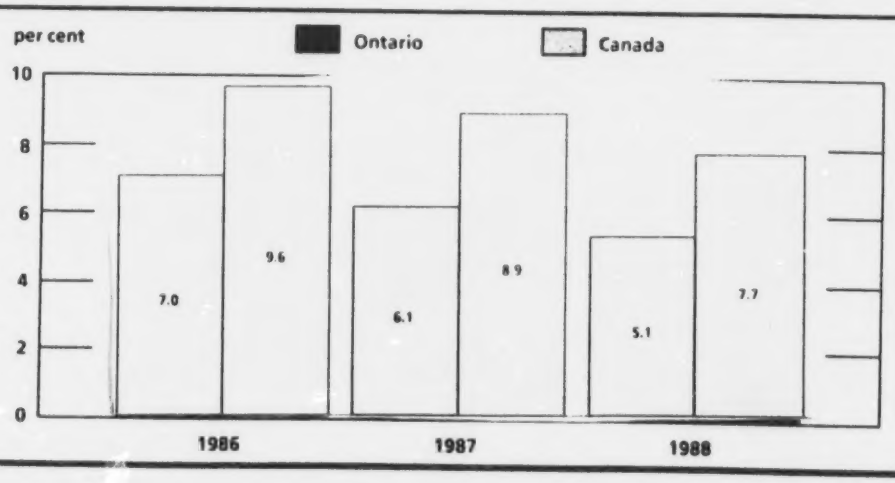
Employment and Prices

Labour Markets

The Ontario economy is expected to create an all-time record number of jobs in 1988. Rapid employment growth is anticipated to reduce the unemployment rate to its lowest level since 1974.

- Employment is projected to increase by 180,000 in 1988.
- Another 137,000 persons are expected to enter the labour force.
- The unemployment rate is expected to average 5.1 per cent this year, a decline of a full percentage point from last year.

Unemployment Rates, Ontario and Canada
1986 to 1988

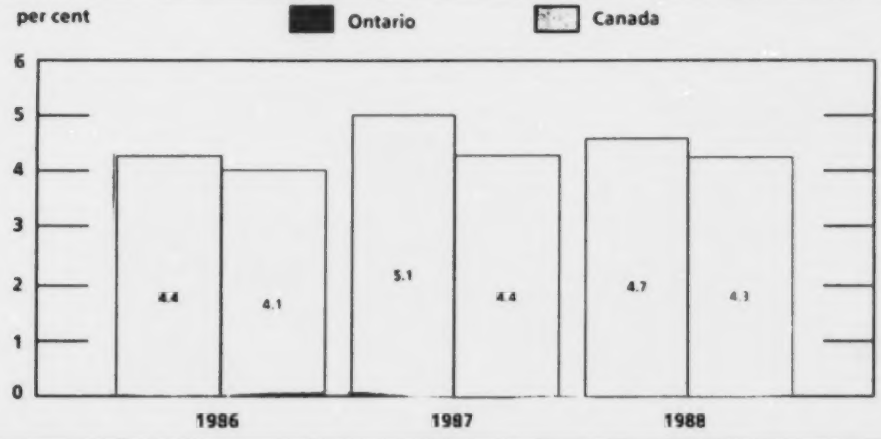


Inflation

The province's consumer price inflation rate rose from 4.4 per cent in 1986 to 5.1 per cent in 1987, primarily as a result of higher housing and energy prices. However, after peaking in July 1987, inflation declined steadily to year-end.

In 1988, the Ontario inflation rate is forecast to decline to 4.7 per cent, in response to softening energy prices and more moderate increases in housing and food prices. In addition, the appreciation of the Canadian dollar against its U.S. counterpart should dampen import price increases.

Consumer Price Index Inflation, Ontario and Canada 1986 to 1988



The Ontario Economy 1986 to 1988

	1986	1987	1988	86/85	87/86	88/87
	$ billion			per cent		
Total Output						
Gross Domestic Product	204.4	224.0	243.8	10.5	9.6	8.9
GDP (Constant 1981 $)	161.4	168.2	174.5	6.2	4.2	3.7
Business Investment						
Machinery and Equipment	14.9	15.6	18.1	20.9	4.9	16.3
Non-Residential Construction	8.0	9.1	9.9	12.3	12.9	8.9
Housing						
Residential Construction	14.0	17.9	20.0	34.3	28.3	11.5
Housing Starts - Units (000s)	81.5	105.2	85.0	–	–	–
Other Components of Demand						
Retail Sales	53.4	59.0	64.0	9.0	10.6	8.5
Exports	105.7	106.2	112.6	5.9	0.5	6.0
Imports	93.5	95.4	99.8	5.4	2.0	4.6
Income						
Personal Income	172.1	186.0	201.8	8.1	8.1	8.5
Corporate Profits (before taxes)	21.6	26.6	30.5	15.2	23.3	14.4
Prices						
Consumer Price Index	–	–	–	4.4	5.1	4.7
Jobs						
Labour Force (000s)	4,897	5,013	5,150	2.3	2.4	2.7
Employment (000s)	4,555	4,706	4,886	3.5	3.3	3.8
Unemployment Rate (% of labour force)	7.0	6.1	5.1	–	–	–

Source: Ontario Ministry of Treasury and Economics.

Budget Paper C:

Introduction

This paper:

- Reviews the 1987-88 fiscal plan.
- Includes a summary of the 1987-88 revenue and expenditure performance.
- Presents the 1988-89 fiscal outlook.
- Explains the current status of borrowing and debt management.
- Outlines comparative fiscal measures.

1987-88 Budget Update

1987-88 Fiscal Plan

Interim net cash requirements for 1987-88 are estimated at $1,193 million, or $213 million above the original Budget plan. Consistent with the Budget plan, net cash requirements were financed entirely from non-public borrowing sources.

1987-88 Budget Update Summary Table 1
($ million)

	Budget Plan	Interim	In-year Change
Revenue Inflows	33,866	34,193	327
Expenditure Outflows	34,846	35,386	540
Net Cash Requirements	980	1,193	213

The operating position for 1987-88 shows a deficit of $378 million, or $350 million higher than in the original Budget plan.

1987-88 Operating Position Table 2
($ million)

	Budget Plan	Interim	In-year Change
Current Revenue*	31,743	31,960	217
Current Expenditure	31,771	32,338	567
Operating Position (Deficit)	(28)	(378)	(350)

* Excludes Personal Income Tax payment speedup of $535 million for Budget plan and $541 million for Interim.

1987-88 Revenue Inflows

Revenue performance for the 1987-88 fiscal year reflected the continued strength of the Ontario economy. Interim results for 1987-88 indicate that total revenue inflows reached $34,193 million, an increase of $327 million over the Budget forecast.

Budgetary Revenue

The Retail Sales Tax accounted for the bulk of the in-year revenue increase. Its yield was $253 million above forecast, reflecting higher levels of consumer spending.

Revenue from the Public Utilities Income Tax increased by $45 million as a result of federal government cash-flow adjustments in respect of 1987 and prior tax years. A continuing strong housing market led to a $30 million improvement in revenue from the Land Transfer Tax.

Other taxation revenue improvements included a $41 million increase in Gasoline Tax, a $13 million increase in Fuel Tax, and a $9 million improvement in Tobacco Tax, all of which reflect higher than expected levels of consumption.

Taxation revenue increases were partly offset by lower than estimated Personal Income Tax (PIT), Mining Profits Tax, and Corporations Tax revenue. The PIT yield was $100 million below the Budget forecast as a result of smaller than anticipated upward adjustments by the federal government in respect of the 1987 and prior years. It is anticipated that the unrealized upward adjustments will be received in 1988-89 and subsequent fiscal years as the federal government completes its assessment of 1986 and 1987 tax returns.

Revenue from Mining Profits Tax declined by $37 million despite strong current year results, due to refunds in respect of prior years. Corporations Tax revenue displayed strong growth, but was $93 million below forecast primarily as a result of larger than anticipated refunds in respect of prior years.

Non-taxation revenue sources were, on balance, $18 million above the Budget estimate. OHIP premium revenues increased $34 million as a result of growth in population and employment. Other increases occurred in LLBO Fees and Licences ($20 million), Utility Service Charges ($24 million), Fines and Penalties ($11 million), and $25 million net from other sources which include the sale of Government assets.

These increases were partly offset by decreases in Other Fees and Licences and profits from lotteries and the LCBO. Revenue from Other Fees and Licences was $47 million below forecast. The 1987 Budget had anticipated increased revenue from a review of the current fee structure. This review is continuing and it is anticipated that the additional revenue will be realized in 1988-89 and subsequent years. Lottery Profits declined $30 million as a result of reduced levels of ticket sales. LCBO Profits registered a decline of $19 million as a result of a lower sales volume.

Higher Provincial spending on social assistance programs led to an increase of $66 million in federal Canada Assistance Plan payments. This increase was partly offset by a decrease of $17 million in the estimate of Established Programs Financing as a result of higher than anticipated prior-year repayments to the federal government. Other decreases in federal payments totalled $14 million, reflecting a lower level of activity under federal-provincial cost-sharing agreements.

Non-Budgetary Revenue

Deposits into Trust Accounts increased by $41 million largely as a result of higher deposits into the Province of Ontario Savings Office and the Public Service Superannuation Fund.

Repayments of Loans increased by $63 million reflecting the continuing divestment of the Ontario Mortgage Corporation's outstanding mortgage portfolio and the write-down of Ontario Development Corporations loans.

Summary of In-Year Changes to Revenue Inflows in 1987-88
($ million)

Table 3

Budgetary Revenue		
Taxation Revenue		
Personal Income Tax	(100)	
Retail Sales Tax	253	
Corporations Tax	(93)	
Mining Profits Tax	(37)	
Gasoline Tax	41	
Fuel Tax	13	
Tobacco Tax	9	
Land Transfer Tax	30	
Public Utilities Income Tax	45	
Other	9	
Sub-Total		**170**
Other Revenue		
OHIP Premiums	34	
LLBO Fees and Licences	20	
LCBO Profits	(19)	
Other Fees and Licences	(47)	
Lottery Profits	(30)	
Utility Service Charges	24	
Fines and Penalties	11	
Other	25	
Sub-Total		**18**
Payments from the Federal Government		
Established Programs Financing	(17)	
Canada Assistance Plan	66	
Other	(14)	
Sub-Total		**35**
Total Budgetary Revenue		**223**
Non-Budgetary Revenue		
Deposits Into Trust Accounts		
Public Service Superannuation Fund	10	
Province of Ontario Savings Office	50	
Other	(19)	
Repayments of Loans		
Ontario Mortgage Corporation	26	
Ontario Development Corporations	28	
Other	9	
Total Non-Budgetary Revenue		**104**
Total		**327**

1987-88 Expenditure Outflows

Interim expenditure outflows for 1987-88 are estimated at $35,386 million, or $540 million above the original 1987 Budget plan.

During the year, the Government funded in-year expenditure increases in high priority areas, such as health care, education and social programs. For example, the Ontario Health Insurance Plan required an additional $198 million during the year for increased utilization of insured services and for negotiated adjustments to the physicians' schedule of benefits. Also, Family Benefits and General Welfare Assistance payments were up by $127 million due to higher caseloads and increased benefit rates. Expenditures by the Ministry of Education rose above the original budget level due mainly to an $88 million increase in grants to school boards, reflecting increased school enrolments.

Table 4 summarizes the in-year expenditure increases. These were funded in part from program savings secured over and above the $350 million targeted in the original Budget plan.

Summary of In-Year Changes to Expenditure Outflows in 1987-88 Table 4
($ million)

Budgetary Expenditures		
Increases:		
Ontario Health Insurance Plan	198	
Family Benefits and General Welfare Assistance payments	127	
Grants to School Boards	88	
Assistance to Farmers	58	
Ontario Drug Benefit Plan	52	
Home Care	38	
September 10 Election Expenses	30	
Homes for the Aged: Operating Costs	26	
Road Construction and Maintenance	20	
Legal Aid Plan	13	
Extra Firefighting	11	
Various Other (net) e.g., AIDS prevention, psychiatric services Ontario Development Corporations payments	13	
Sub-Total		674
Decreases:		
Skills Development	(41)	
Public Debt Interest	(32)	
Assistance to Industry	(13)	
Small Business Development Corporation Program	(11)	
Government Contribution to the Teachers' Superannuation Fund	(10)	
Capital Account: principally project delays	(29)	
Sub-Total		(136)
Budget Target Expenditure Savings and Constraints	(350)*	
Net Change - Budgetary		538
Net Change - Non-Budgetary		2
Total		**540**

* Non-additive. Achievement of target was built into the Budget plan (see Table 5).

The 1987 Budget plan included a target of $350 million in expenditure savings and constraints to be identified in-year. This target was achieved and the details are provided in Table 5.

Target Expenditure Savings and Constraints Secured in 1987-88
($ million)

Table 5

Agriculture and Food	20
Attorney General	7
Citizenship	1
Colleges and Universities	5
Community and Social Services	3
Consumer and Commercial Relations	3
Correctional Services	1
Culture and Communications	9
Education	6
Energy	5
Environment	10
Financial Institutions	1
Government Services	10
Health	6
Housing	17
Industry, Trade and Technology	15
Labour	1
Office for Women's Issues	1
Management Board	1
Municipal Affairs	17
Natural Resources	13
Northern Development and Mines	11
Revenue	11
Skills Development	36
Solicitor General	12
Tourism and Recreation	8
Transportation	8
Treasury and Economics	
Economic Development Projects	16
Technology Fund	80
Public Debt Interest	16
Total	**350**

1988-89 Outlook

1988-89 Fiscal Plan

The 1988-89 fiscal plan projects net cash requirements at $473 million, a reduction of $720 million from the previous year, and achieves the lowest net cash requirements level since 1969-70. Net cash requirements as a proportion of provincial GDP will decline to 0.2 per cent this year, the lowest proportion of the economy in more than 25 years, and down from the 0.5 per cent recorded in 1987-88.

The budgetary deficit for 1988-89 is forecast at $1,544 million, a reduction of $839 million from the $2,383 million level of the previous year.

1988-89 Fiscal Plan Table 6
($ million)

	Interim 1987-88	Budget Plan 1988-89	Per Cent Change
Budgetary Transactions:			
Revenue	32,501	36,343	11.8
Expenditure	34,884	37,887	8.6
Budgetary Deficit	2,383	1,544	
Non-Budgetary Contribution	1,190	1,071	
Net Cash Requirements	1,193	473	

Ontario's planned operating position will contribute $1,039 million towards funding of planned capital expenditures in 1988-89.

1988-89 Operating Position Table 7
($ million)

	Interim 1987-88	Budget Plan 1988-89
Current Revenue*	31,960	36,123
Current Expenditure	32,338	35,084
Operating Position (Deficit)	(378)	1,039

* Excludes Personal Income Tax payment speedup of $541 million in 1987-88 and $220 million in 1988-89.

1988-89 Revenue

Budgetary revenue in 1988-89 is forecast at $36,343 million, an increase of 11.8 per cent, or $3,842 million above the 1987-88 interim level.

Approximately $2.9 billion of this increase is derived from the revenue base and reflects the continued strength in the economy. Budget revenue measures are expected to yield a further $953 million.

Personal Income Tax (PIT) payments are estimated to grow to a level of $10,622 million in the coming year. The combined effect of the federal reform and Ontario's income tax adjustments is a reduction in Ontario PIT revenue of $238 million in 1988-89.

Retail Sales Tax revenue is estimated to grow to a level of $7,814 million, including revenue moves of $820 million. The forecast reflects continued strength in retail sales, particularly for automobiles and consumer durables.

Corporations Tax revenue is estimated to grow by $722 million to a level of $4,329 million, which includes net revenue moves of $29 million. This growth reflects two consecutive years of strong corporate profit performance.

Federal government payments are projected to grow by $345 million to $5,327 million in 1988-89. Established Programs Financing (EPF) payments are expected to increase by 5.5 per cent, or $152 million, to $2,925 million. Of this increase, $120 million is a partial offset for the net reduction in the yield from personal and corporations income tax revenues due to tax reform. The increase of $154 million to $1,460 million in the estimate of Canada Assistance Plan payments is based on higher planned levels of Ontario spending on social assistance programs.

Revenues from non-budgetary sources are estimated at $1,604 million, a decrease of 5.2 per cent from 1987-88.

Details of 1988-89 budgetary revenues are found in Table C2. Details of non-budgetary transactions are provided in Tables C4 and C5.

1988-89 Expenditure

Provincial budgetary expenditure in 1988-89 is estimated to increase by 8.6 per cent to $37,887 million, which is within the 8.9 per cent rate of growth forecast for the provincial economy.

The expenditure plan provides funding to phase in the implementation of many Government commitments, in such areas as education, health care and housing. The plan finances the major transfer payment levels for 1988-89, in addition to making necessary provisions for inflation, utilization increases and higher public debt interest costs.

For 1988-89, the target for expenditure savings and constraints has been increased to $500 million.

The 1988-89 provision for administrative overhead other than salaries, wages and benefits has been frozen at the lower levels achieved by the 1987-88 across-the-board reduction. Provincial institutions such as psychiatric hospitals and jails are excluded from this measure.

Table 8 details spending by Ministry from 1986-87, including planned capital expenditures for 1988-89.

Non-budgetary transactions are forecast at $533 million in 1988-89, an increase of $31 million from the 1987-88 interim level. Details are provided in Tables C4 and C5.

Spending by Ministry, 1986-87 to 1988-89[2]

Table 8

($million)

Ministry	1986-87	Interim 1987-88	1988-89 Total	1988-89 Operating	1988-89 Capital
Agriculture and Food	466	556	567	518	49
Attorney General	327	375	405	402	3
Office Responsible for Native Affairs	4	2	5	5	–
Citizenship	35	39	46	36	10
Colleges and Universities	2,256	2,392	2,583	2,473	110
Community and Social Services	3,270	3,773	4,308	4,243	65
Consumer and Commercial Relations	113	134	152	152	–
Correctional Services	344	400	423	423	–
Culture and Communications	259	230	253	228	25
Education	4,372	4,441	4,799	4,561	238
Energy	43	43	45	34	11
Environment	340	368	426	278	148
Financial Institutions	23	34	36	36	–
Government Services	474	537	643	453	190
Office for Disabled Persons	5	6	7	5	2
Office Responsible for Senior Citizens Affairs	3	4	9	7	2
Health	10,480	11,520	12,689	12,435	254
Housing	282	340	468	334	134
Industry, Trade and Technology	197	167	171	146	25
Intergovernmental Affairs	7	9	9	9	–
Labour	90	109	126	126	–
Office Responsible for Women's Issues	8	16	18	18	–
Legislative and Executive Offices	9	12	12	12	–
Management Board	27	36	40	40	–
Municipal Affairs	891	921	976	958	18
Natural Resources	530	552	558	507	51
Northern Development and Mines	220	237	305	116	189
Revenue	703	794	830	830	–
Skills Development	405	379	408	408	–
Solicitor General	368	404	450	427	23
Tourism and Recreation	166	167	184	142	42
Transportation	1,764	1,912	2,078	681	1,397
Treasury and Economics	25	27	29	29	–
Economic Development Projects	47	43	50	33	17
Technology Fund	2	20	100	100	–
Public Debt Interest	3,539	3,772	4,080	4,080	–
Board of Internal Economy	84	113	99	99	–
Expenditure Savings and Constraints	–	–	(500)	(300)	(200)
Total Budgetary Expenditure	**32,178**	**34,884**	**37,887**	**35,084**	**2,803**
Non-Budgetary Transactions (C4 and C5)	393	502	533	413	120
Total Outflows	**32,571**	**35,386**	**38,420**	**35,497**	**2,923**

See page 72 for accompanying notes.

Borrowing and Debt Management

Net cash requirements in 1987-88 were financed almost entirely from the Teachers' Superannuation Fund, with Canada Pension Plan (CPP) borrowing declining to $42 million.

The 1988 Budget plan projects net cash requirements of $473 million. Ontario will also repay $920 million in maturing debt in 1988-89, of which $412 million will be applied to reducing Ontario's CPP debt. In addition, $282 million will be added to liquid reserves. These requirements will be financed by borrowing from the Teachers' Superannuation Fund.

Ontario will require no CPP funds for its own needs in 1988-89. Any of the estimated $1.2 billion in CPP funds expected to be available to Ontario, and not required to provide lower cost financing for non-profit housing, will be offered to Ontario Hydro. Over the next three to five years, it is expected that $2 billion of Ontario's share of CPP funds will be made available to meet needs in the non-profit housing sector.

In 1987-88, Ontario borrowed $389 million from the CPP on behalf of Ontario Hydro. To date in 1988-89, an additional $141 million from the CPP has been borrowed for Ontario Hydro.

As a result of the significant moderation in financing requirements in recent years, the growth of Ontario's debt has slowed. Total debt is projected to grow by 4.8 per cent in 1988-89, well below the rate of GDP growth of 8.9 per cent. With relatively stable interest rates, interest costs will require a declining portion of revenue for the third consecutive year. Public debt interest as a proportion of budgetary revenue is projected to decline to 11.2 per cent in 1988-89, down from 11.6 per cent in 1987-88 and the peak of 12.4 per cent experienced in 1985-86.

Ontario Hydro requires $3.4 billion of capital market borrowing in 1988, including $1.9 billion to repay maturing debt. Hydro's annual borrowing plan has been reviewed by the Government and will be subject to close scrutiny and quarterly review in the future. This process will ensure that Hydro's activities remain consistent with the Province's financing policies and plans.

Amendments to the *Financial Administration Act* will be introduced to provide authority for new innovative financing techniques designed to improve the management of debt and public debt interest costs.

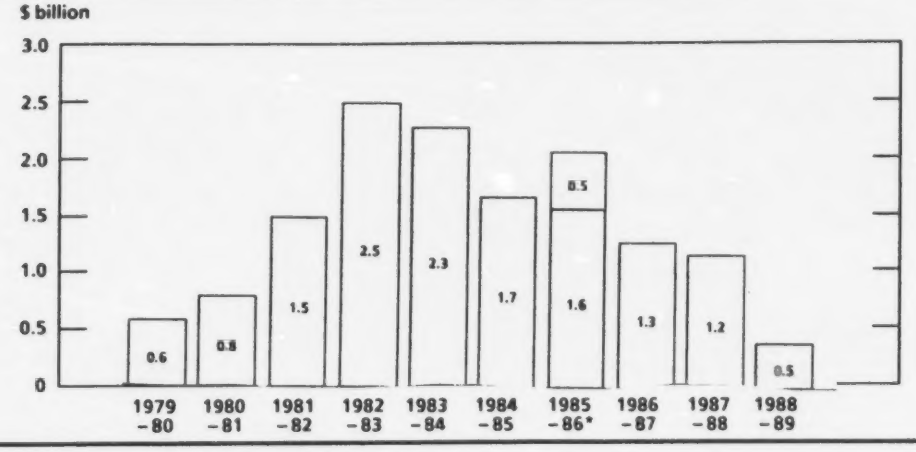
Comparative Fiscal Measures

Ontario's fiscal performance can be assessed in terms of a number of commonly used indicators. A ten-year review of selected indicators is found in Table C8.

Net Cash Requirements

Net cash requirements have been reduced from the $2.5 billion peak level reached in 1982-83 to $1.2 billion in 1987-88, and are expected to decline to an estimated $473 million in 1988-89.

Ontario Net Cash Requirements
1979-80 to 1988-89

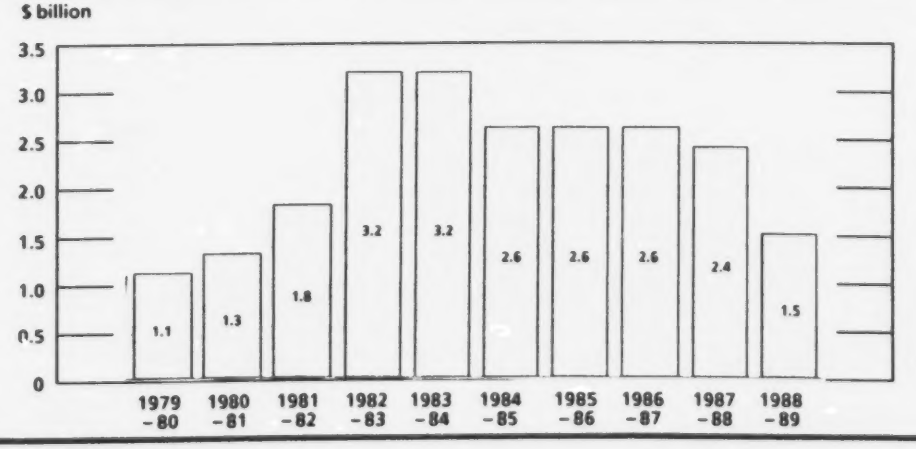


* Includes extraordinary adjustments of $0.5 billion.

Budgetary Deficit

Ontario's budgetary deficit rose to a level of almost $3.2 billion in 1982-83, but since that time has declined to $2.4 billion in 1987-88, and is expected to decline to $1.5 billion in 1988-89.

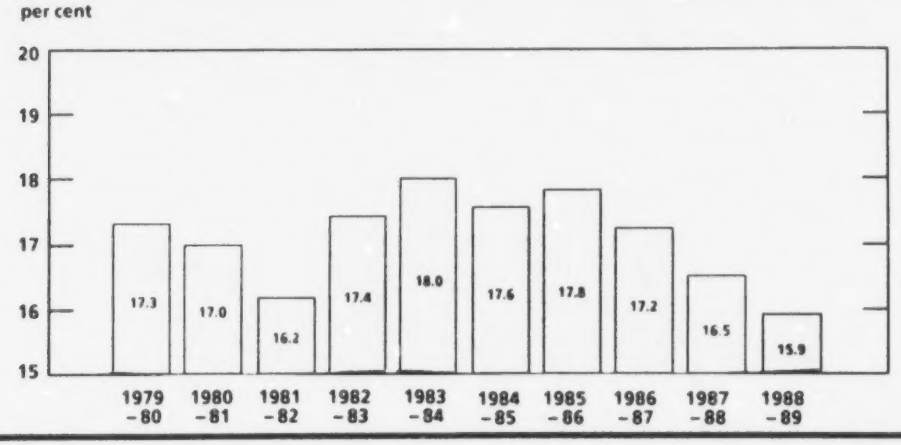
Ontario Budgetary Deficit
1979-80 to 1988-89



Debt Measures

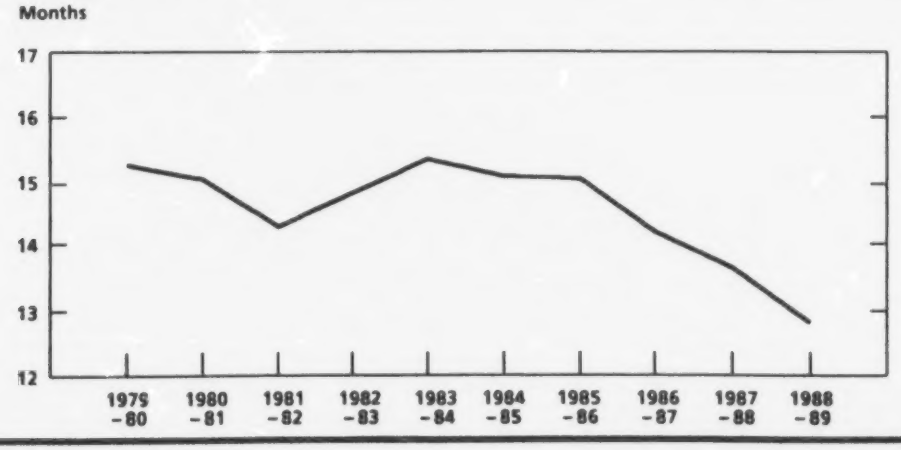
Ontario's total debt is expected to be $38.8 billion by the end of 1988-89. Measured as a share of the economy, the debt burden has moderated in the past five years. From a peak of 18.0 per cent of provincial gross domestic product in 1983-84, total debt declined to 16.5 per cent in 1987-88. In 1988-89 total debt as a share of the economy is expected to decline further to 15.9 per cent, the lowest ratio achieved since 1974-75.

Total Debt as a Share of the Economy
1979-80 to 1988-89



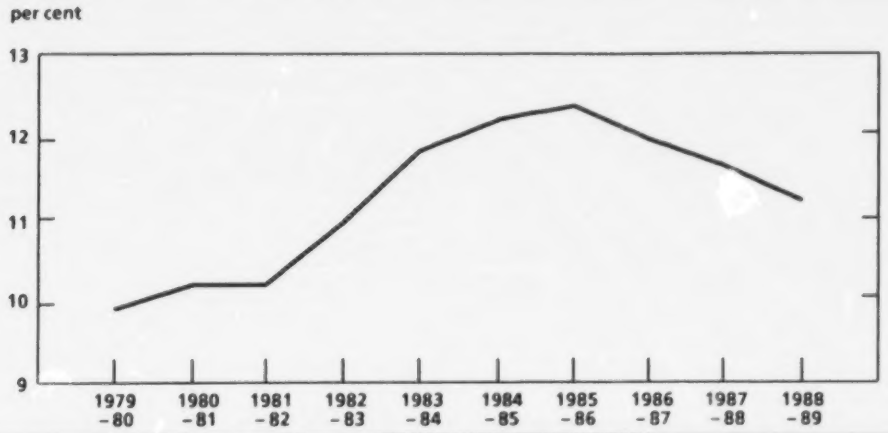
Another measure of Ontario's ability to carry its debt is the number of months of budgetary revenue that would be required to repay the total debt. This number has fallen steadily in the past five years, from 15.4 months in 1983-84 to 13.7 months in 1987-88. In 1988-89, it is expected to fall further to 12.8 months, lower than in any other year since 1970-71.

Months of Budgetary Revenue to Repay Total Debt
1979-80 to 1988-89



Ontario's public debt interest costs will exceed $4.0 billion in 1988-89, representing 11.2 per cent of budgetary revenue. By contrast, federal public debt charges in 1988-89 are currently forecast at 31 per cent of budgetary revenue. The Ontario ratio continues its downward trend from a high of 12.4 per cent in 1985-86.

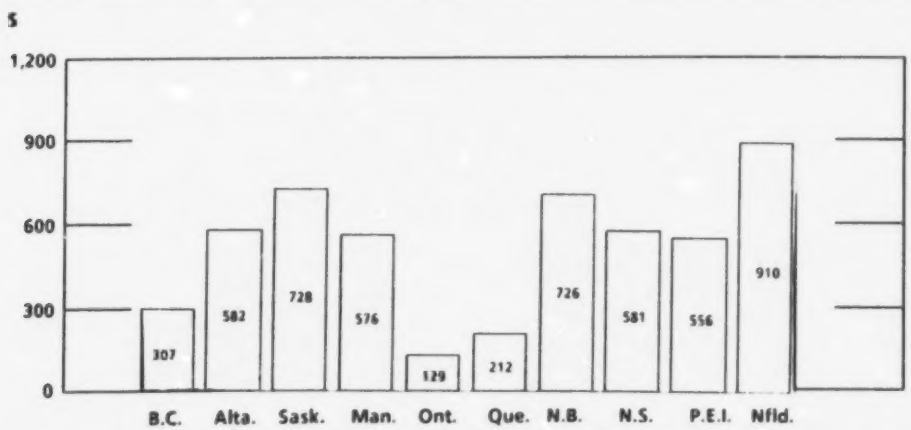
Public Debt Interest as a Percentage of Budgetary Revenue 1979-80 to 1988-89



Interprovincial Comparisons

On an interprovincial basis, Ontario's current budget measures of performance compare favourably. For instance, Ontario's 1987-88 net cash requirements at $129 per capita were lowest among the provinces.

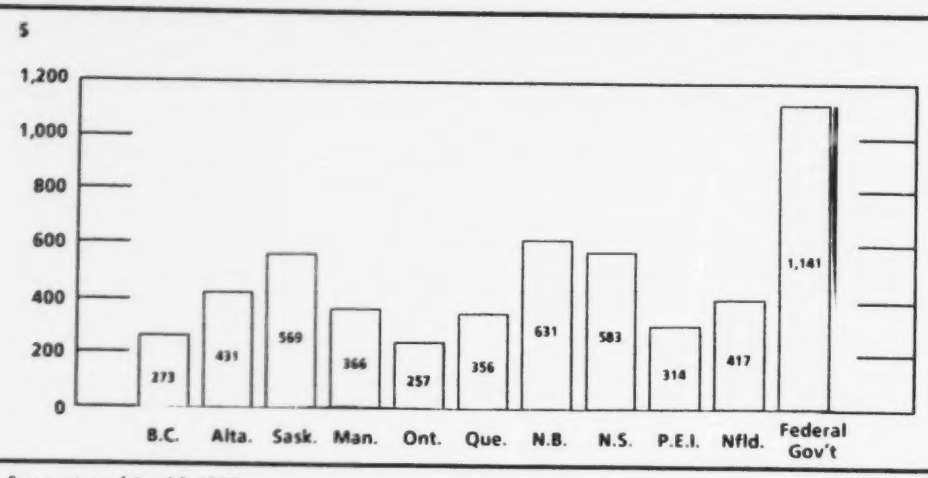
Provincial Net Cash Requirements Per Capita 1987-88*



* Forecast as of April 8, 1988.
Source: Ontario Ministry of Treasury and Economics

At $257 per person, Ontario had the lowest budgetary deficit per capita in 1987-88.

Budgetary Deficits Per Capita
1987-88*

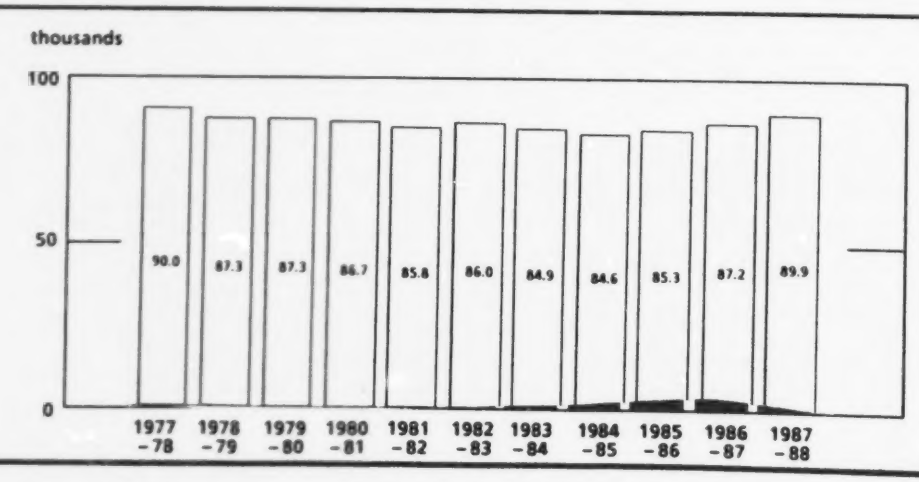


* Forecast as of April 8, 1988
Source: Ontario Ministry of Treasury and Economics

Staffing

The most recent available data on staffing levels in the Ontario Public Service over the past decade are shown below. In 1987-88, staffing increased by 2,626 to a level of 89,861.

Ontario Public Service Staffing Levels
(12-month Average)



Financial Tables and Charts

Statement of Provincial Net Cash Requirements and Related Financing

Table C1

($ million)

	1986-87	Interim 1987-88	Budget Plan 1988-89
Budgetary Transactions			
Revenue	29,544	32,501	36,343
Expenditure	32,178	34,884	37,887
Budgetary Deficit	2,634	2,383	1,544
Non-Budgetary Transactions (net)			
Trust Accounts	973	988	1,017
Loans and Investments	313	202	54
Non-Budgetary Contribution	1,286	1,190	1,071
Net Cash Requirements	**1,348**	**1,193**	473
Financing			
Non-Public Borrowing			
Canada Pension Plan	232	42	–
Teachers' Superannuation Fund	1,310	1,620	1,675
Retirements	(343)	(562)	(420)
Net Non-Public Borrowing	1,199	1,100	1,255
Public Borrowing			
Treasury Bills/Debenture Issues	–	–	–
Retirements	(5)	(199)	(500)
Net Public Borrowing	(5)	(199)	(500)
Change in Liquid Reserves	(154)	(292)	282
Total Financing	**1,348**	**1,193**	473

Revenue Inflows
($ million)

Table C2

	1986-87	Interim 1987-88	Budget Plan 1988-89
Taxation Revenue			
Personal Income Tax[1]	8,618	9,859	10,622
Retail Sales Tax	5,604	6,313	7,811
Reciprocal Taxation	95	90	93
Corporations Tax	3,205	3,607	4,329
Mining Profits Tax	121	13	45
Gasoline Tax	989	1,041	1,214
Fuel Tax	266	293	335
Tobacco Tax	611	639	776
Land Transfer Tax	353	480	500
Race Tracks Tax	71	75	80
Public Utilities Income Tax	14	90	50
Other Taxation	11	13	15
	19,958	22,513	25,863
Other Revenue			
OHIP Premiums	1,669	1,721	1,738
LCBO Profits	629	651	701
Vehicle Registration Fees	484	509	513
LLBO Fees, Licences and Permits	321	348	415
Other Fees and Licences	211	233	265
Lottery Profits	465	470	465
Interest on Investments	328	300	253
Royalties	167	185	208
Utility Service Charges	120	159	120
Sales and Rentals	99	96	110
Fines and Penalties	95	111	125
Miscellaneous	223	223	240
	4,811	5,006	5,153
Payments from the Federal Government			
Established Programs Financing	2,813	2,773	2,925
Extended Health Care Services	407	436	463
Canada Assistance Plan	1,123	1,306	1,460
National Training Act	157	131	102
Bilingualism Development	50	50	57
Young Offenders	41	63	64
Vocational Rehabilitation	31	33	32
Other	153	190	224
	4,775	4,982	5,327
Total Budgetary Revenue	**29,544**	**32,501**	36,343
Non-Budgetary Transactions (C4 and C5)	1,679	1,692	1,604
Total Inflows	**31,223**	**34,193**	37,947

See page 72 for accompanying notes.

Expenditure Outflows[2]

($ million)

Table C3

Ministry	1986-87	Interim 1987-88	Budget Plan 1988-89
Agriculture and Food	450	490	518
Attorney General	325	373	402
Office Responsible for Native Affairs	4	2	5
Citizenship	25	29	36
Colleges and Universities	2,158	2,301	2,473
Community and Social Services	3,185	3,702	4,243
Consumer and Commercial Relations	112	124	152
Correctional Services	344	400	423
Culture and Communications	209	207	228
Education	4,238	4,293	4,561
Energy	31	30	34
Environment	260	255	278
Financial Institutions	23	34	36
Government Services	394	397	453
Office for Disabled Persons	5	3	5
Office Responsible for Senior Citizens Affairs	3	2	7
Health	10,205	11,321	12,435
Housing	202	252	334
Industry, Trade and Technology	119	133	146
Intergovernmental Affairs	7	9	9
Labour	90	107	126
Office Responsible for Women's Issues	8	16	18
Legislative and Executive Offices	9	12	12
Management Board	27	36	40
Capital Account	2,473	2,546	3,003
Municipal Affairs	856	904	958
Natural Resources	466	502	507
Northern Development and Mines	78	101	116
Revenue	703	794	830
Skills Development	401	378	408
Solicitor General	345	376	427
Tourism and Recreation	121	136	142
Transportation	625	653	681
Treasury and Economics	25	27	29
Economic Development Projects	35	34	33
Technology Fund	2	20	100
Public Debt Interest	3,539	3,772	4,080
Board of Internal Economy	76	113	99
Expenditure Savings and Constraints			
Capital	–	–	(200)
Operating	–	–	(300)
Total Budgetary Expenditure	**32,178**	**34,884**	37,887
Non-Budgetary Transactions (C4 and C5)	393	502	533
Total Outflows	**32,571**	**35,386**	38,420

See page 72 for accompanying notes.

Expenditure Outflows[2]
Budgetary and Non-Budgetary Accounts Combined

Table C3A

($ million)

Ministry	1986-87	Interim 1987-88	Budget Plan 1988-89
Agriculture and Food	450	490	518
Attorney General	325	373	402
Office Responsible for Native Affairs	4	2	5
Citizenship	25	29	36
Colleges and Universities	2,159	2,301	2,473
Community and Social Services	3,185	3,702	4,243
Consumer and Commercial Relations	112	125	152
Correctional Services	344	400	423
Culture and Communications	209	207	228
Education	4,238	4,293	4,561
Energy	31	30	34
Environment	262	255	278
Financial Institutions	30	38	44
Government Services	396	402	453
Office for Disabled Persons	5	3	5
Office Responsible for Senior Citizens Affairs	3	2	7
Health	10,206	11,321	12,435
Housing	202	252	334
Industry, Trade and Technology	123	144	146
Intergovernmental Affairs	7	9	9
Labour	90	107	126
Office Responsible for Women's Issues	8	16	18
Legislative and Executive Offices	9	12	12
Management Board	27	36	40
Capital Account	2,558	2,692	3,123
Municipal Affairs	856	904	958
Natural Resources	467	503	509
Northern Development and Mines	78	101	116
Revenue	703	794	830
Skills Development	401	378	408
Solicitor General	345	376	427
Tourism and Recreation	122	136	142
Transportation	625	653	681
Treasury and Economics	25	29	31
Economic Development Projects	35	34	33
Technology Fund	2	20	100
Pensions	289	332	401
Public Debt Interest	3,539	3,772	4,080
Board of Internal Economy	76	113	99
Expenditure Savings and Constraints			
Capital	–	–	(200)
Operating	–	–	(300)
Total Outflows	**32,571**	**35,386**	38,420

See page 72 for accompanying notes.

Trust Accounts
($ million)

Table C4

	1986-87	Interim 1987-88	Budget Plan 1988-89
Deposits			
Public Service Superannuation Fund	714	790	878
Superannuation Adjustment Fund	313	343	378
Provincial Judges Benefits Fund	8	9	10
OPP Supplementary Benefit Account	7	8	10
Other Pensions	7	8	10
Province of Ontario Savings Office	195	150	120
Motor Vehicle Accident Claims Fund	13	11	11
Other	17	14	12
Deposits into Trust Accounts	**1,274**	**1,333**	1,429
Payments			
Public Service Superannuation Fund	181	206	237
Superannuation Adjustment Fund	100	117	153
OPP Supplementary Benefit Account	5	5	6
Provincial Judges Benefits Fund	2	2	2
Other Pensions	1	2	3
Motor Vehicle Accident Claims Fund	6	4	8
Other	6	9	3
Payments out of Trust Accounts	**301**	**345**	412
Trust Accounts – Net Deposits	**973**	**988**	1,017

Loans and Investments
($ million)

Table C5

	1986-87	Interim 1987-88	Budget Plan 1988-89
Repayments			
Ontario Development Corporations	64	68	45
School Boards	49	45	40
Environmental Projects	52	23	25
Tile Drainage Debentures	23	23	23
Public Hospitals	7	9	10
Ontario Mortgage Corporation	177	146	2
Other	33	45	30
Repayments of Loans	**405**	**359**	175
Loans and Investments			
Capital Account			
Development Loans	56	104	75
Environmental Projects	17	21	23
Tile Drainage Debentures	15	15	15
Economic Development Projects	2	6	4
Other	2	11	4
Loans and Investments	**92**	**157**	121
Loans and Investments - Net Repayments	**313**	**202**	54

Transfers to Local Governments and Agencies

Table C6

($ million)

	1986-87	Interim 1987-88	Budget Plan 1988-89
Conditional Transfers			
Grants to School Boards			
General Legislative Grants	3,323	3,669	3,918
Grant Flow Improvement	330	–	–
School Capital Grants	134	147	238
Transportation			
Roads	579	630	686
Transit	297	322	351
Other	4	5	4
Social Assistance			
General Welfare Assistance	544	611	678
Homes for the Aged	236	278	269
Child Welfare	201	213	221
Day Nurseries	105	129	167
Other	13	33	50
Environment	105	137	159
Health			
Local Health Units	123	132	150
Other	35	40	44
Agriculture	114	163	175
Housing	57	68	79
Conservation Authorities	44	46	46
Library Boards	35	37	39
Recreation	31	33	33
Municipal Affairs	37	22	25
Other	53	46	65
	6,400	**6,761**	7,397
Unconditional Transfers			
General Support	282	311	344
Resource Equalization	126	123	133
Per Household-Policing	144	147	150
Per Household-General	104	107	109
Payments-in-lieu of Taxes	85	97	105
Northern Ontario Support	69	76	84
Revenue Guarantee	50	51	39
Other	8	8	10
	868	**920**	974
Transfers to Local Governments	**7,268**	**7,681**	8,371

Ontario Public Service Staffing, 1987-88[3]

Table C7

(Projected 12-Month Average)

Ministry	Classified Staff		Unclassified Staff	Other Crown Employees	Total
	Full-Time	Part-Time			
Agriculture and Food	1,700	66	898	–	2,664
Attorney General	3,426	174	1,585	449	5,634
Citizenship	150	5	82	–	237
Colleges and Universities	245	–	76	2	323
Community and Social Services	8,968	268	1,865	–	11,101
Consumer and Commercial Relations	1,640	2	546	238	2,426
Correctional Services	6,012	137	1,249	48	7,446
Culture and Communications	519	7	247	–	773
Education	1,469	2	445	322	2,238
Energy	222	–	63	1	286
Environment	1,700	16	285	–	2,001
Financial Institutions	309	–	73	6	388
Government Services	2,882	3	376	–	3,261
Health	10,481	340	2,186	–	13,007
Housing	881	–	343	34	1,258
Human Resources Secretariat	248	3	182	–	433
Industry, Trade and Technology	462	1	126	–	589
Intergovernmental Affairs	69	–	16	–	85
Labour	1,559	5	278	34	1,876
Legislative and Executive Offices	88	1	65	–	154
Management Board	95	–	12	–	107
Municipal Affairs	430	3	122	–	555
Natural Resources	3,649	131	3,395	–	7,175
Northern Development and Mines	434	5	334	–	773
Office for Native Affairs	13	–	5	–	18
Office for Disabled Persons	25	–	22	–	47
Office for Senior Citizens	19	–	28	–	47
Office for Women's Issues	49	–	37	–	86
Ontario Development Corporations	163	–	37	–	200
Revenue	3,884	11	479	–	4,374
Skills Development	481	3	145	–	629
Solicitor General	1,663	79	618	5	2,365
Tourism and Recreation	645	14	934	–	1,593
Transportation	8,474	8	1,456	–	9,938
Treasury and Economics	390	3	73	–	466
Sub-Total	**63,444**	**1,287**	**18,683**	**1,139**	**84,553**
O.P.P. Uniformed Staff and Security Guards[4]	4,534	–	–	–	4,534
Environment Plant Operators	722	–	52	–	774
Total	**68,700**	**1,287**	**18,735**	**1,139**	**89,861**

See page 72 for accompanying notes.

Ten-Year Review of Selected Financial and Economic Statistics

($ million)

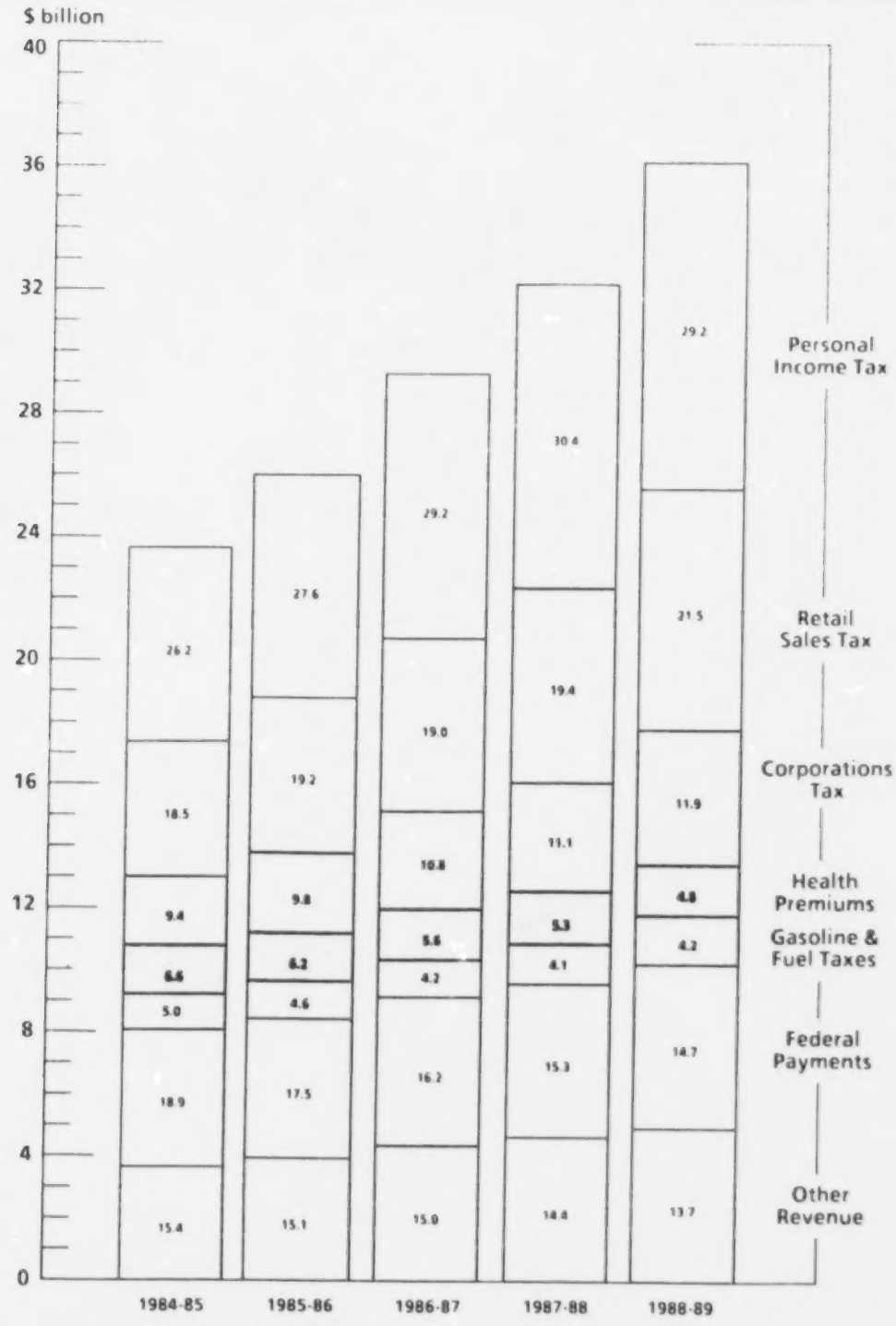
	1979-80	1980-81	1981-82	1982-83
Budgetary Transactions				
Revenue	14,236	15,585	17,914	19,367
Expenditure	15,357	16,882	19,694	22,556
Budgetary Deficit	1,121	1,297	1,780	3,189
Non-Budgetary Contribution	537	494	277	711
Net Cash Requirements	584	803	1,503	2,478
Total Debt (Excluding Ontario Hydro)	18,097	19,512	21,354	23,955
Gross Domestic Product (GDP) at Market Prices[5]	104,363	114,994	131,831	137,310
Personal Income[5]	84,607	94,411	110,033	122,443
Population - June ('000)	8,501	8,570	8,625	8,703
Total Debt per Capita (dollars)	2,129	2,277	2,476	2,752
Personal Income per Capita (dollars)	9,953	11,016	12,757	14,069
Budgetary Expenditure as a per cent of GDP	14.7	14.7	14.9	16.4
Net Cash Requirements as a per cent of GDP	0.6	0.7	1.1	1.8
Total Debt as a per cent of GDP	17.3	17.0	16.2	17.4
Cumulative Net Borrowing for Ontario Hydro				
U.S.	4,506	4,379	5,573	6,058
C.P.P.	–	500	1,000	1,000
Contingent Liabilities (mainly Ontario Hydro)	7,904	8,553	9,284	11,122

See page 72 for accompanying notes.

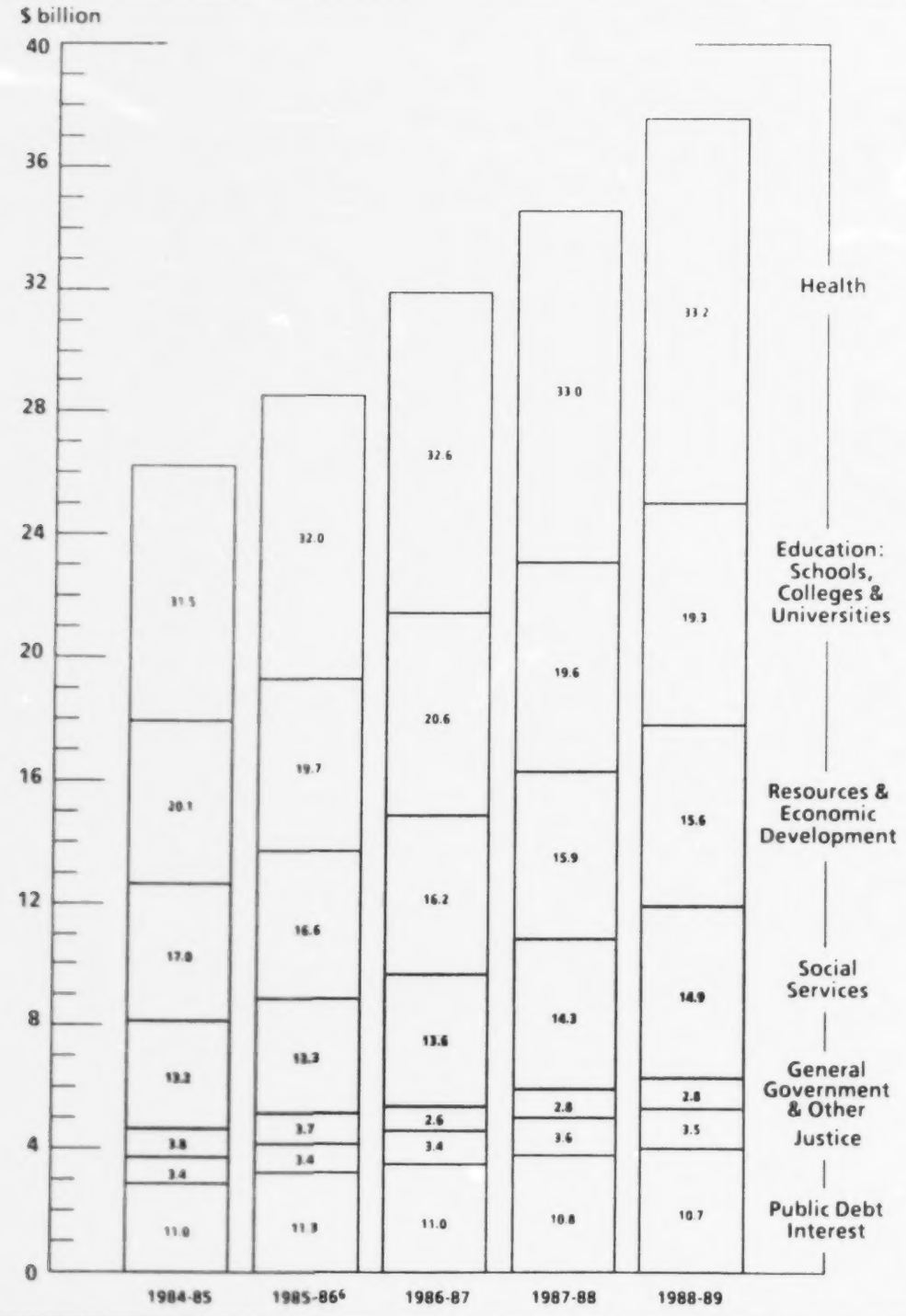
Table C8

1983-84	1984-85	1985-86[6]	1986-87	Interim 1987-88	Budget Plan 1988-89
21,412	23,893	26,240	29,544	32,501	36,343
24,565	26,452	28,854	32,178	34,884	37,887
3,153	2,559	2,614	2,634	2,383	1,544
864	857	1,009	1,286	1,190	1,071
2,289	1,702	1,605	1,348	1,193	473
27,406	30,041	32,904	35,103	36,992	38,764
151,945	170,632	184,973	204,411	223,952	243,794
131,947	146,073	159,133	172,075	186,003	201,810
8,798	8,902	9,006	9,113	9,271	9,427
3,115	3,375	3,654	3,852	3,990	4,112
14,997	16,409	17,670	18,882	20,063	21,408
16.2	15.5	15.6	15.7	15.6	15.5
1.5	1.0	0.9	0.7	0.5	0.2
18.0	17.6	17.8	17.2	16.5	15.9
6,487	7,206	7,189	6,667	6,034	N/A
1,000	1,000	1,000	1,119	1,508	N/A
12,711	14,220	15,963	17,603	18,400	N/A

Major Budgetary Revenue Sources: Per cent of Total
1984-85 to 1988-89

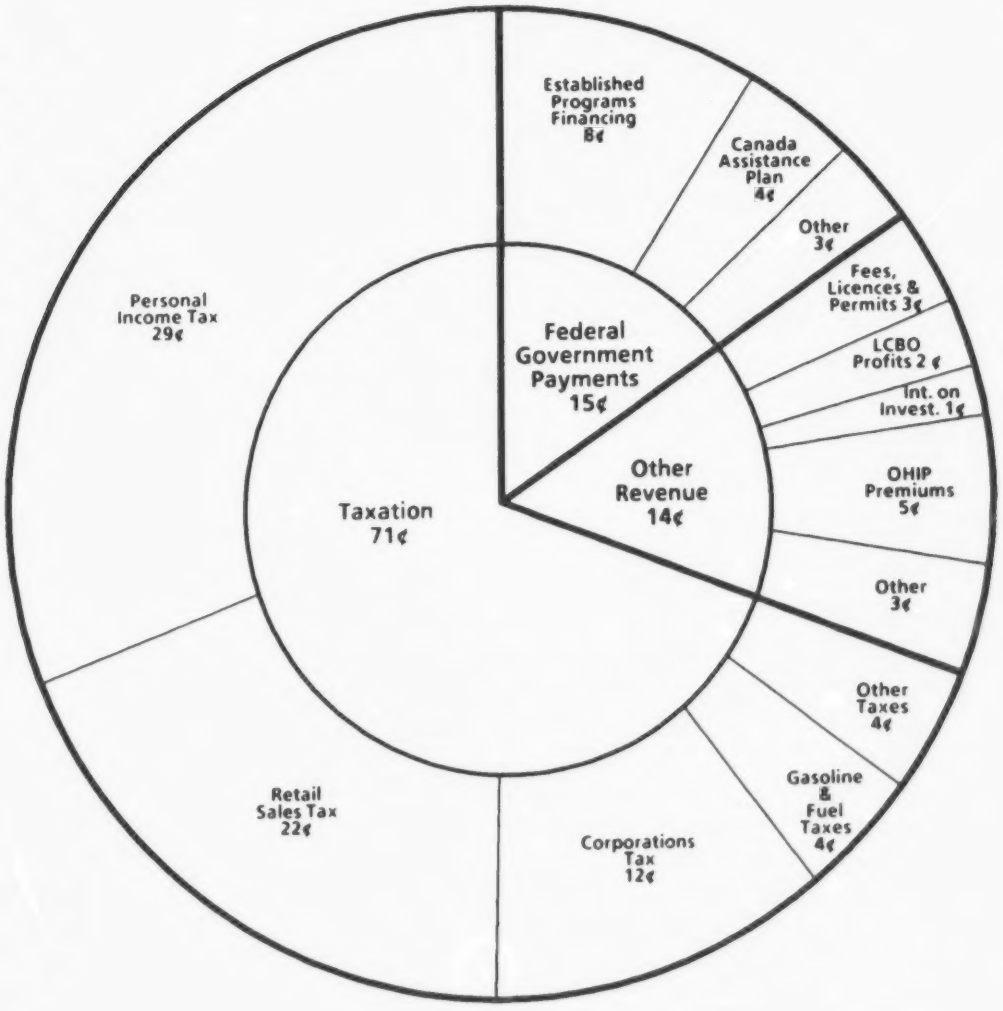


Budgetary Expenditure Functions[2]: Per cent of Total 1984-85 to 1988-89

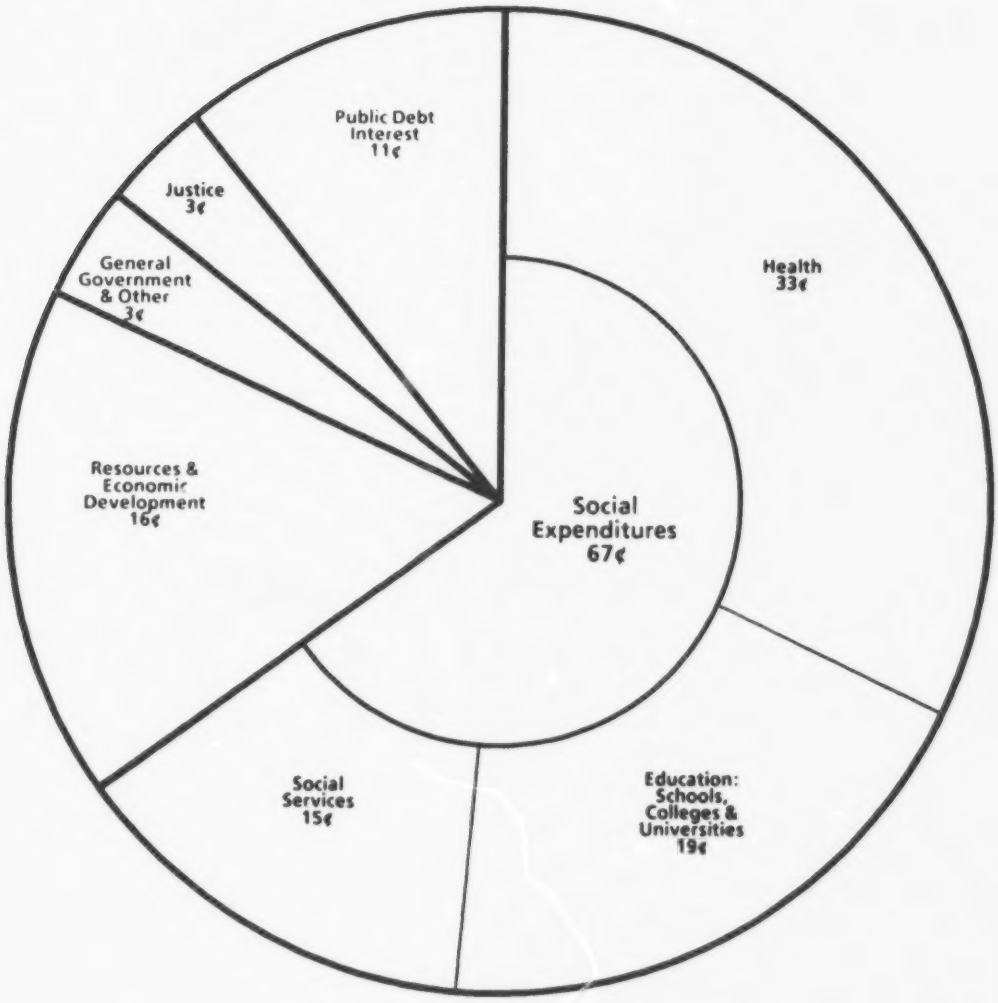


See page 72 for accompanying notes

The Budget Dollar: Budgetary Revenue, 1988-89



The Budget Dollar: Budgetary Expenditure, 1988-89



Notes

1. Net of tax credits of $272 million for 1986-87, $280 million for 1987-88 and $360 million for the 1988-89 fiscal year.
2. Comparative figures are restated to conform with current Government structure.
3. Excludes staff of the Lieutenant Governor, Office of the Assembly, Ombudsman and Provincial Auditor.
4. Includes O.P.P. services to municipalities on a cost recovery basis.
5. Gross Domestic Product (GDP) and Personal Income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.
6. Excludes extraordinary adjustments.

Budget Paper D:

Ontario Expenditure Profiles: Health Care and Education

Introduction

To ensure that expenditure programs continue to respond to the priorities of the people of this province full public debate on budgetary policy is essential. Through Budget papers and pre-Budget documents, such as the *Economic Outlook and Fiscal Review*, the Ministry of Treasury and Economics can help foster discussion by providing a broad perspective and detailed information on expenditure programs.

This paper provides a review of the two most prominent areas of Provincial spending -- health, and elementary and secondary education. Spending by the Ministry of Health, at $12.7 billion in 1988-89, exceeds that of every other ministry. The Ministry of Education is the second largest in terms of spending at $4.8 billion in 1988-89. Together these ministries account for 46 per cent of Provincial spending.

As the scope of program areas reviewed expands in future years, it is hoped that these profiles will prove to be a useful source of information for Members of the Legislature and for the public in general.

Health Care

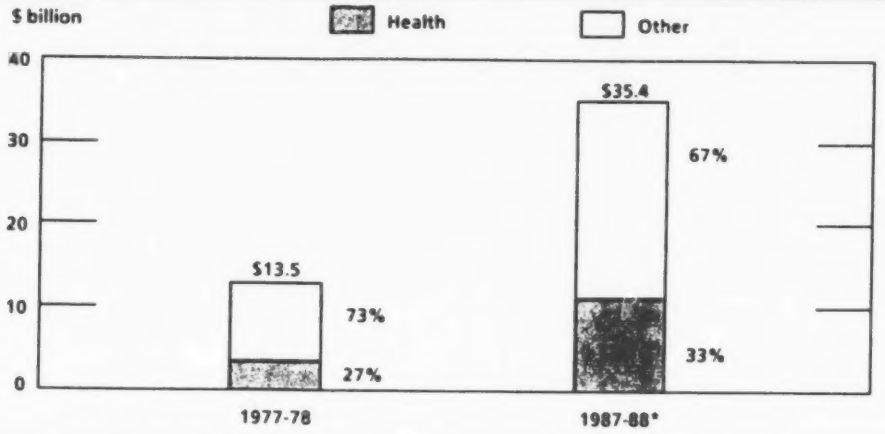
The quality, direction, and in particular the cost of health care services have been the subject of extensive public debate in recent years. This profile provides an overview of health care expenditures in Ontario between 1977-78 and 1987-88. The major components of the Ministry of Health's expenditures -- the Operation of Hospitals, the Ontario Health Insurance Plan (OHIP), and the Ontario Drug Benefit Plan (ODB) -- are examined. The profile also examines the declining proportion of health costs supported by federal government transfers to the Province and by revenue from OHIP premiums.

In this profile, health care expenditures are defined as total expenditure outflows by the Ministry of Health. In addition, the Ministry of Community and Social Services provides health-related programs for the developmentally handicapped and for senior citizens, and the Ministry of Labour is responsible for Occupational Health and Safety legislation. The total cost of these additional health-related programs was approximately $1 billion in 1987-88.

Health Care Spending

Provincial expenditures on health care grew steadily between 1977-78 and 1987-88, consuming an increasing share of total Government resources. During this period, the share of total expenditure outflows attributable to the Ministry of Health rose from 27 per cent to 33 per cent.

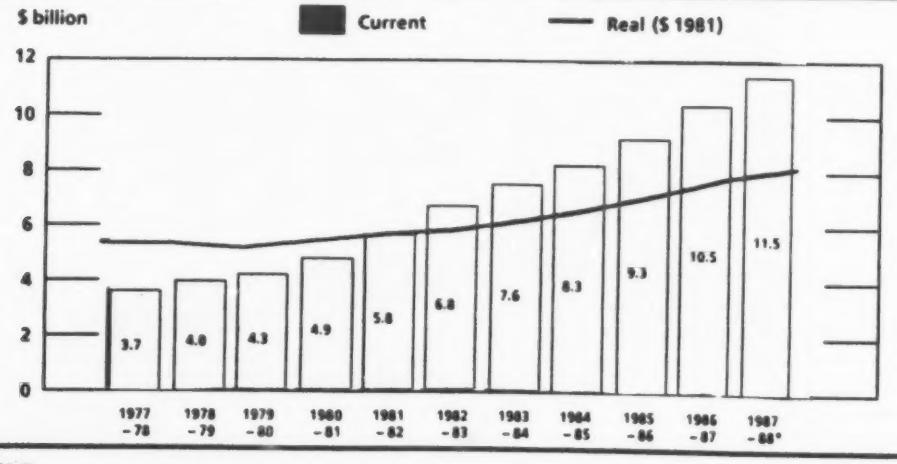
Ministry of Health Share of Ontario Expenditures 1977-78 and 1987-88 Chart 1



* Interim
Source: Ontario Ministry of Treasury and Economics.

Health care expenditures have more than tripled, from $3.7 billion in 1977-78 to an estimated $11.5 billion in 1987-88, an average growth rate of 12.1 per cent a year. Ontario's population grew by slightly less than 1 million people over this period, an average annual growth rate of 1.0 per cent. Most of the increase in spending is therefore explained by an average annual increase in per capita spending of 10.9 per cent. Total per capita costs in 1987-88 reached $1,243.

Ministry of Health Expenditures 1977-78 to 1987-88 Chart 2



* Interim
Sources: Ontario Ministry of Treasury and Economics.
Statistics Canada.

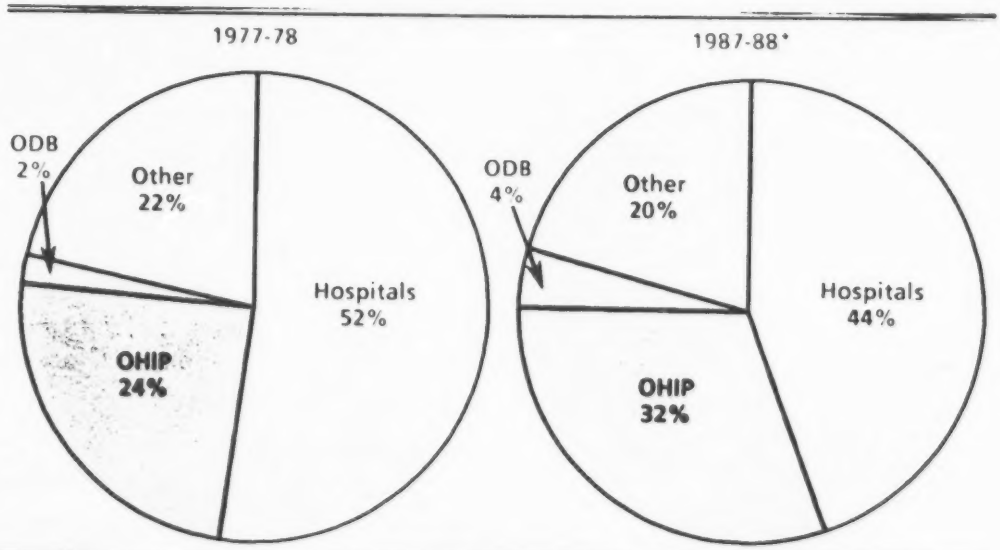
Over most of this period, growth in the health sector outpaced growth in the total economy. After taking inflation into account, expenditures on health care increased by 53.8 per cent, while Ontario's economy, as measured by real Gross Domestic Product (GDP), grew by 38.9 per cent.

Key Components of Health Spending

Between 1977-78 and 1987-88, three areas of health services -- the Operation of Hospitals, the Ontario Health Insurance Plan (OHIP) and the Ontario Drug Benefit Plan (ODB) -- represented between 78 and 80 per cent of Ministry of Health spending. The remaining expenditures were for such programs as Extended Care, Home Care Assistance, Emergency Health, Mental Health, and other health care programs, and for capital requirements.

Changes in the composition of Ministry of Health spending between 1977-78 and 1987-88 are shown in the following chart. As shown, the increase in OHIP's share of health spending, from 24 per cent to 32 per cent, has compressed other areas, most notably the Operation of Hospitals.

Components of Health Care Spending 1977-78 and 1987-88 — Chart 3

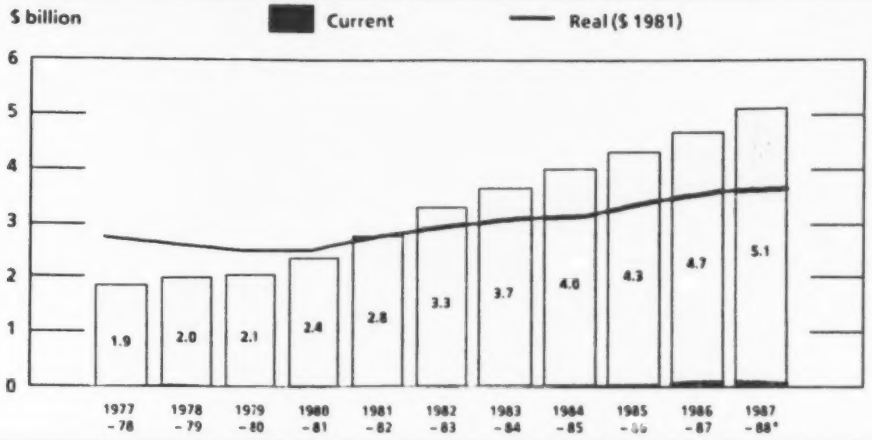


* Interim
Source: Ontario Ministry of Treasury and Economics

Operation of Hospitals

Provincial expenditures on the Operation of Hospitals increased more than two and one-half times, from $1.9 billion in 1977-78 to $5.1 billion by 1987-88. This represents an average annual increase of 10.3 per cent. On a per capita basis, expenditures for the Operation of Hospitals increased during this period from $229 to $553, an average growth rate of 9.2 per cent a year.

Hospital Operating Expenditures 1977-78 to 1987-88 **Chart 4**



* Interim
Sources: Ontario Ministry of Treasury and Economics
Statistics Canada

Over this period, Provincial funding was provided to recognize factors such as:

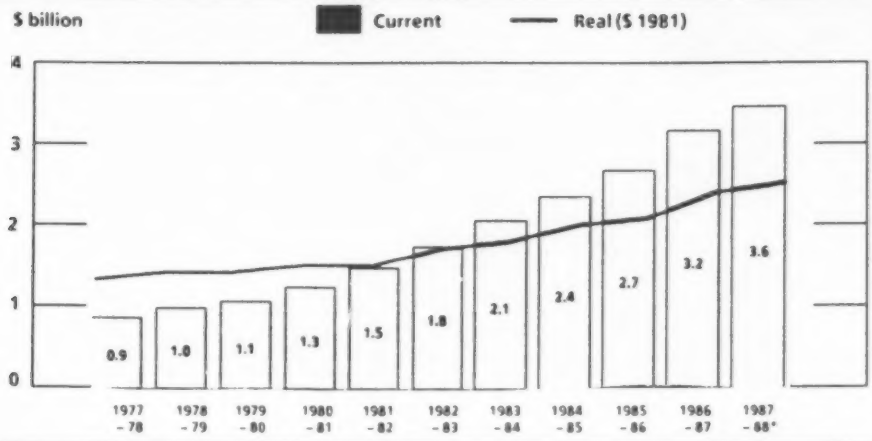
- wage and salary increases;
- more demand for hospital services;
- increased costs of high technology life-support programs; and
- the introduction of new programs and expansion of existing programs.

These hospital expenditures represent funds used solely for operating costs in Ontario's public hospitals and do not include funds for renovation costs or new construction. The hospital system is also undergoing a major capital expansion with a multi-year Provincial allocation of $850 million as announced in the 1986 Budget.

Ontario Health Insurance Plan

Expenditures for OHIP payments to physicians and other practitioners have quadrupled, from $0.9 billion in 1977-78 to $3.6 billion in 1987-88. Annual percentage increases in OHIP expenditures have fluctuated in a range from 9.7 per cent recorded in 1979-80, to a high of 19.7 per cent in 1982-83, averaging 15.0 per cent over the period as a whole. On a per capita basis, OHIP expenditures rose from $108 to $391, an average annual rate of 13.8 per cent over the period.

OHIP Expenditures
1977-78 to 1987-88 Chart 5



* Interim
Sources: Ontario Ministry of Treasury and Economics
Statistics Canada

More recently, for the period from 1981-82 to 1986-87, OHIP expenditures grew from $1.5 billion to $3.2 billion, representing an average annual rate of increase of 15.5 per cent. This consisted of an average negotiated fee increase for laboratory services, physicians and other practitioners, of approximately 8 per cent a year and an average utilization increase of 7 per cent a year. Over this period, the trend in negotiated fee increases declined while OHIP utilization rates rose.

Table 1 shows the growth in the number of Ontario licensed physicians billing OHIP and the average payment per physician from 1981-82 to 1986-87.

Ontario Licensed Physicians Billing OHIP
1981-82 to 1986-87 Table 1

	Number of Physicians	Per Cent Change	Average OHIP Payment Per Physician	Per Cent Change
1981-82	13,478	2.6	$94,500	16.8
1982-83	13,888	3.0	$109,000	15.3
1983-84	14,429	3.9	$121,100	11.1
1984-85	15,039	4.2	$130,500	7.8
1985-86	15,698	4.4	$140,700	7.8
1986-87	16,443	4.7	$154,100	9.5

Source: Ontario Ministry of Health.

Another component of OHIP expenditures that has increased significantly in recent years is laboratory services. On average, OHIP payments for

laboratory services have increased by 16.0 per cent annually over the period from 1981-82 to 1986-87.

Growth in Laboratory Services
1981-82 to 1986-87 Table 2

	$ Million	Per Cent Change
1981-82	133.9	
1982-83	161.6	13.1
1983-84	184.3	20.7
1984-85	213.5	14.0
1985-86	247.5	15.8
1986-87	280.8	15.9
		13.5

Source: Ontario Ministry of Health.

Overall, the number of OHIP claims has increased from 57 million in 1977-78 to an estimated 94 million in 1987-88. The average number of claims per capita rose from 6.8 to 10.1 over this period.

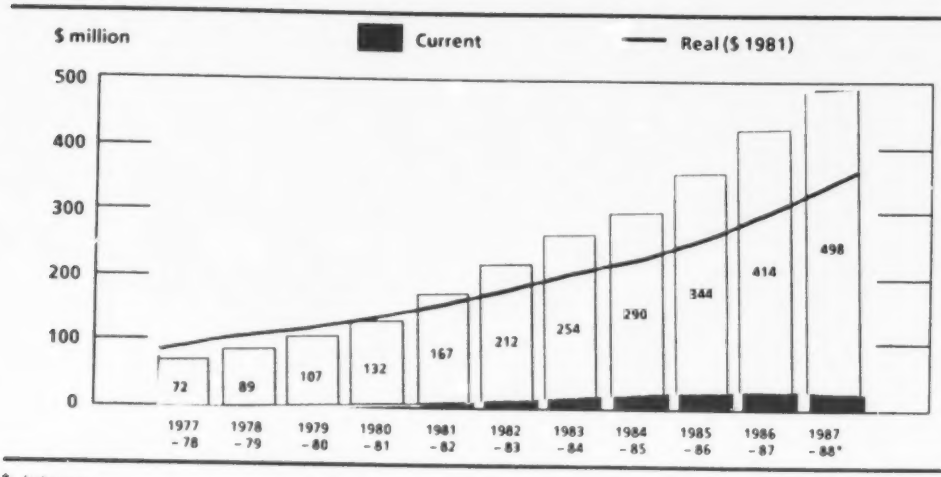
Ontario Drug Benefit Plan

The Ontario Drug Benefit Plan was established in 1974 to ensure that the cost of prescribed drugs would not be a deterrent to the elderly and to those in need. The program ensures that seniors, social assistance recipients, and residents of extended care facilities and homes for special care receive their prescribed drugs free of charge.

Ministry of Health expenditures on the ODB plan increased from $72 million in 1977-78 to $498 million in 1987-88, an increase of 591 per cent over the period, or an average annual increase of 21.3 per cent. Much of the rate of increase in the earlier years was due to the natural growth within the eligible population. Yet double-digit rates of growth have been sustained throughout the period, making ODB one of the fastest growing health care programs over the period. Average ODB expenditures by the Ministry of Health per claimant have increased from $109 in 1977-78 to $498 in 1987-88.

ODB Expenditures
1977-78 to 1987-88

Chart 6



* Interim
Sources: Ontario Ministry of Treasury and Economics
Statistics Canada

Financing Health Care Expenditures

Health care spending is financed from the Province's general revenues, including federal transfer payments and OHIP premiums. Increases in federal transfer payments under Established Programs Financing (EPF) have not kept pace with the rapid growth in health care expenditures. Thus, EPF support has financed a declining share of health expenditures. Revenue available from OHIP premiums has risen slowly as premium rates have been maintained at the same level for the past several years. As a result, health expenditures have steadily increased their claim on other sources of Provincial resources.

Established Programs Financing

Introduced by the federal government in 1977, Established Programs Financing replaced federal-provincial shared-cost programs for health and for post-secondary education, and combined these into a single unconditional block fund.

Although the arrangement was intended to provide long-term funding stability for health care and post-secondary education financing, the growth in provincial entitlements has been cut by the federal government through successive downward adjustments to the transfer formula. Total EPF support in Ontario for health and post-secondary education programs has fallen from a peak of 51.8 per cent in 1979-80, to 39.3 per cent in 1987-88.

OHIP Premiums

OHIP premium rates have not been increased since 1984. In addition, the Province has enriched the premium assistance program for low-income persons each year since 1984. As a result, the proportion of health care costs

financed from premiums has declined from 19.0 per cent in 1984-85 to 14.9 per cent in 1987-88. The total revenue foregone from premium assistance for low-income persons and other eligible groups, such as senior citizens, totalled $770 million in 1987-88.

Conclusion

Maintaining and improving the health care system requires substantial levels of expenditure. Factors such as the aging structure of Ontario's population have and are expected to place even greater upward pressures on health care spending. New ways must be found to control rising health care costs without sacrificing the quality of care.

In December, the Minister of Health announced a Hospital Operational Review, focussing on those 22 hospitals that have incurred repeated deficits. In addition, a full examination of the hospital reimbursement system will be undertaken. A joint Task Force on the Use and Provision of Medical Services has been launched in conjunction with the Ontario Medical Association to study and make recommendations regarding the factors influencing the increasing use of medical services and how these are provided. The Ministry of Health is conducting an assessment of the acquisition, distribution, prescribing and dispensing of Government funded drug programs, and an operational review of the Home Care program is under way. The Premier's Council on Health Strategy has also begun its important work in developing innovative and cost-effective health care alternatives.

It is hoped that the increased scrutiny of rising health care costs will increase public participation in choices concerning the future design of health programs and services for Ontarians.

Education

Elementary and secondary school education is a shared responsibility in Ontario. The Province sets general education policy, and school boards ensure that classroom instruction meets these standards as well as local needs. Financing responsibilities are also met jointly. The Province provides funding for operating and capital costs, while school boards raise their share of the cost through property tax revenues.

Ontarians spent almost $8.8 billion on publicly supported education in 1987, more than $47 million for every teaching day, or roughly $5,200 per student.

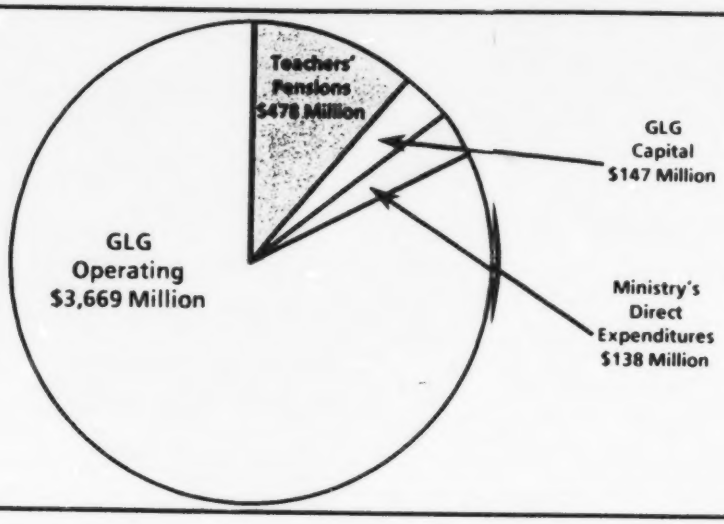
Provincial Resources Dedicated to Education

The Provincial Government devoted 12.5 per cent of its expenditure outflows to elementary and secondary education in 1987-88. Over the past five years, total Provincial expenditures on education have risen from $3.2 billion in 1982-83 to $4.4 billion in 1987-88, an average annual increase of 6.9 per cent.

The bulk of these expenditures represents transfers to school boards in support of operating and capital costs, as well as contributions to teachers' pension costs.

Chart 7 shows the various components of Provincial support.

Provincial Support for Elementary and Secondary Education, 1987-88* Chart 7


Teachers' Pensions $478 Million
GLG Capital $147 Million
GLG Operating $3,669 Million
Ministry's Direct Expenditures $138 Million

* Interim
Note: General Legislative Grant (GLG) includes $25 million for Other Education Programs
Sources: Ontario Ministry of Education
Ontario Ministry of Treasury and Economics

Operating Costs

General Legislative Grant Program

The largest component of Provincial expenditure on education is the operating funding provided to school boards through the General Legislative Grant (GLG) program, approximately $3.6 billion in 1987.† Grants to school boards for operating expenditures are based primarily on a designated amount per pupil, less a local share. The local share from each board is based on equalized assessment and mill rates and recognizes the boards' varying fiscal capacities. Board grants are also adjusted to reflect special circumstances, such as remote location, higher-than-average requirements to teach English as a second language, or administrative costs due to small size.

Grants fall into three main categories: recognized ordinary expenditure, for the general costs of instruction; recognized extraordinary expenditure, which includes computers, furniture and equipment, and transportation; and special programs, to enable certain activities such as French, Native

† Because school boards have financial years that run from January 1 to December 31, the operating expenditure information in the balance of this paper will be described on a calendar year basis.

and heritage language instruction, special education, and continuing education for adults.

Since 1982, total Provincial operating grants to school boards have increased at an average annual rate of 5.8 per cent. On a per pupil basis, the average annual growth was 5.9 per cent.

Direct Ministry of Education Expenditures

The Province operates several facilities for students with special needs. These include demonstration schools for the learning disabled, schools for the blind and deaf, and training schools attached to correctional facilities for young offenders. In 1987, $39 million was required to operate these schools.

The Ministry of Education also provides a number of programs to help school boards implement innovative new programs. These special programs include the Educational Computer Network of Ontario, cooperative education, French language consultants and lighthouse schools. In 1987, the Ministry spent approximately $25 million on these programs.

Teachers' Pension Contributions

On behalf of school boards, the Province pays the employers' portion of contributions to the Teachers' Superannuation Fund, the source of basic pension benefits, and to the Teachers' Superannuation Adjustment Fund, which provides indexation benefits. These payments have grown from $314 million in 1982 to $478 million in 1987.

Capital Costs

The Province provides capital grants to school boards for the construction of new schools and for the repair and renovation of existing facilities. This contribution represents an average of 75 per cent of approved project costs, with assistance to individual boards ranging from 38.5 per cent to 95 per cent.

Requirements for capital expenditures have grown substantially in recent years. Increased demand has arisen mainly from pressures in high-growth areas, increases in separate school enrolments, and repairs and renovations to schools built in the 1960s to accommodate the baby boom.

In response, Provincial capital support has increased significantly in the past three years. Capital grants to school boards will be $238 million in 1988-89, triple the level in 1984-85. Furthermore, this Budget announces a three-year grant commitment of $300 million annually beginning in 1989-90. The Ministry of Education will approve school projects having total costs of $1.3 billion over the period.

Financing by Local School Boards

The local share of school costs is funded through the property tax system. School boards develop their annual budgets and, after Provincial funding has been established, issue requisitions to their constituent municipalities

for the balance, based on an apportionment formula provided by the Ministry of Education.

Over the last several years, school taxes have represented a growing share of local property tax bills. In 1982, school purpose taxes accounted for 48.9 per cent of the average residential property tax bill. In 1987, 50.5 per cent of the average tax bill in Ontario was for school purposes. Across the province, school taxes ranged from an average 45.4 per cent of the total local tax bill in Northern municipalities to an average 54.9 per cent in rural areas of Southern Ontario.

School boards have traditionally used long-term financing for large capital projects and tax levies for small projects. School boards include the amount for small projects in their requisitions to constituent municipalities.

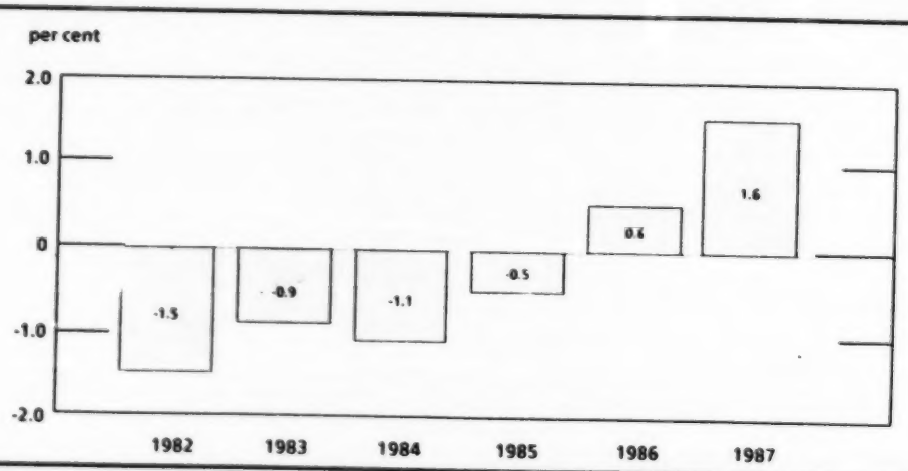
The Changing Education Sector

In 1987, close to 1.7 million students attended Ontario public and separate schools. The 170 school boards in the province employed approximately 151,000 people, of whom almost 104,000 were teachers working in schools.

Enrolment

The education sector has adapted to substantial fluctuations in enrolment. Between 1982 and 1987, enrolment dropped from 1,691,000 to 1,684,000 pupils, a decline of 0.4 per cent. However, as Chart 8 indicates, this decline in enrolment began to reverse in 1986.

Enrolment Growth, Average Daily Enrolment* 1982 to 1987 — **Chart 8**



* Includes enrolment for all grades receiving Provincial funding.
Source: Ontario Ministry of Education

In 1984, the Province announced the extension of public funding to Roman Catholic separate schools for levels beyond grade 10. Implementation commenced in September 1985 with the phase-in of funding for Grade 11 and was completed in September 1987 with the extension to Grade 13, bringing funding to $164 million on a full-year basis. Over the past four years, total enrolment in separate schools increased by 16 per cent, from 401,500 to 465,600 students. During the same period, public school enrolment declined by 3.5 per cent from 1,255,800 to 1,212,500 students. Overall, enrolment has increased by 1.6 per cent since 1984.

Population shifts will influence the overall level of expenditures. Such shifts can include movements between public, separate and private schools. Enrolment changes have also arisen due to migration into Ontario from other provinces and countries and movements between regions of the Province. The GLG formula takes into account school boards' enrolments and relative fiscal capacities.

School Board Staffing

In 1987, salaries and benefits for all board staff accounted for almost 80 per cent of total school board operating spending, virtually unchanged from the level in 1982. Program requirements, for example, language instruction and special education, have resulted in some increases in the number of classroom teachers during a period of enrolment decline. School boards have also needed other types of personnel, such as consultants, speech therapists, and teachers' aides.

Growth in Ontario School Board Personnel Table 3

Category	1987 Complement	Average Annual Growth 1982-1987 (%)
Staff Attached to Schools		
Teachers	103,567	1.6
Other School Staff	32,284	3.3
Central Office Staff	11,056	4.4
General Support Services*	4,347	5.2
Total	**151,254**	**2.2**

* Includes food services, bus transportation, research and public information personnel.
Note: All data relate to full-time equivalents.
Source: Ontario Ministry of Education.

In general, Ontario has highly experienced and qualified teachers. In 1987, nearly 51 per cent of teachers had fifteen or more years of experience. The average salary, excluding additional allowances, has increased from $33,092 in the 1982-83 school year to $43,491 in the 1987-88 school year. This represents an average annual increase of 5.6 per cent.

Ontario Teachers' Average Salary Ranges, 1987 Table 4
(dollars)

	Elementary	Secondary
Starting	23,695 to 28,705	23,695 to 28,854
Maximum*	49,891 to 50,615	49,891 to 50,773

* Based on combined qualification and experience maximums.
Note: Salary data are for the 1987-88 school year.
Source: Education Relations Commission.

Conclusion

The multi-year commitment for capital projects announced in this Budget will give school boards greater certainty in planning for capital requirements to keep pace with changing curriculum needs and enrolment patterns.

The Government is continuing to explore ways of enhancing the quality of education. The education financing system is also being reviewed.

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